



COVERSHEET

Minister	Hon Kris Faafoi	Portfolio	Immigration
Title of Cabinet paper	2021 Resident Visa – Fees and Detailed Policy Decisions	Date to be published	10 December 2021

List of documents that have been proactively released

Date	Title	Author
October 2021	2021 Resident Visa – Fees and Detailed Policy Decisions	Office of the Minister of Immigration
6 October 2021	2021 Resident Visa – Fees and Detailed Policy Decisions CAB-21-MIN-0041	Cabinet Office

Information redacted

YES / NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reason of Confidential advice to Government.

In Confidence

Office of the Minister of Immigration
Chair, Cabinet Business Committee

2021 Resident Visa – fees and detailed policy decisions

Proposal

- 1 This paper seeks agreement to the implementation details of the 2021 Resident Visa, agreed to by Cabinet on 6 September 2021 [CAB-21-MIN-0359], including setting the immigration fees and levies for the new visa.

Executive Summary

- 2 Cabinet agreement to a new one-off residence pathway on 6 September 2021, noting that the fee and levy for the new resident visa as well as some further detailed decisions about implementation would be agreed upon in a later report back. The new pathway will be called the 2021 Resident Visa.
- 3 The fee and levy for the new resident visa totals \$2,160, comprising of a fee of \$1,330 and a levy of \$830. People who have already paid fees and levies for a skilled residence application or expressions of interest will be able to offset the cost with the money they have already paid.
- 4 Additionally, further decisions are sought to:
 - 4.1 allow children over the age of 25 who were included in previous applications or expressions of interest to be able to qualify for this visa alongside their family
 - 4.2 allow children aged 18 or over included in applications to work part time while awaiting a decision on their resident visa
 - 4.3 confirm that these resident visa holders will have the same travel conditions and requirements to qualify for a permanent resident visas as most other residents.

New 2021 Resident Visa category

- 5 On 6 September 2021, Cabinet agreed to the creation of a new, one-off residence visa [CAB-21-MIN-0359]. I announced the new visa - the 2021 Resident Visa on 30 September 2021.
- 6 The 2021 Resident Visa will open in two phases. The first tranche opens on 1 December 2021 to people who have:
 - 6.1 a skilled residence application in process (under the Skilled Migrant Category (SMC) or Residence from Work Category), or

6.2 an SMC Expression of Interest (EOI) that includes a child over the age of 17.

The second tranche will be open to all other eligible applicants from 1 March 2022. Applications will close on 31 July 2022.

7 I was invited to report back in relation to any outstanding detailed design elements of the one-off residence pathway, including fees and implementation, and on whether to add or amend conditions for the residence visa or subsequent permanent residence eligibility for this group.

Fees and levies

8 I propose that new applicants for the 2021 Resident Visa will pay a total of \$2,160, of which \$1,330 is the fee and \$830 is the immigration levy.

Fee for the new visa

9 The proposed fee for the 2021 Resident Visa will be \$1,330, based on full cost recovery. This fee is constant regardless of whether any partners or dependents are included in the application.

10 The proposed fee covers the direct and indirect costs of processing the application, in line with section 393 of the Immigration Act 2009. It includes:

- the cost of INZ staffing (Immigration Officers, support staff and managers)
- a proportion of INZ and MBIE overheads¹, and
- a contribution toward deficit recovery (discussed further below)

11 This is higher than the estimated \$1,000 provided to Cabinet previously as it includes GST and reflects a more detailed calculation of the cost of processing (given Cabinet's chosen eligibility criteria for this new visa). A Cost Recovery Impact Statement (CRIS) setting out a more detailed breakdown of the costs has been carried out in accordance with the Treasury's "Guidelines for Setting Charges in the Public Sector".

Immigration levy for the new visa

12 The immigration levy covers costs relating to border processing, compliance, minimising migrant exploitation and people trafficking, settlement and integration of refugees and other migrants and marketing/attraction. This levy is charged in differing amounts for different groups of applicants, depending on their level of use of these services.

13 The proposed levy for the 2021 Resident Visa is \$830, which is commensurate with all other skilled/business residence categories. This cohort makes the same use of levy-funded services as SMC and Residence from Work applicants, so I am recommending the same levy figure for them.

¹ Based on the proportion of INZ's total forecasted applications over the expected processing period for these residence applications. The total number of applications forecast has been adjusted to reflect the impact of this policy i.e. that fewer people will need to apply for work visas (and their families will no longer need partnership or student visas).

Comparison with other visas

14 The proposed fee and levy is proportionate to other residence fees, as shown in Table One below:


Table One: Comparison of fee and levy amounts for different visas

Visa category	NZ based fee	Levy	Fee and levy total
2021 Resident Visa	1,330	830	2,160
Skilled Migrant Category	1,880	830	2,710
Residence from Work Category	970	830	1,800

15 Residence visa fees are generally higher than work visa fees, because a single fee will cover the cost of any applications from partners and dependents as well. Family members of work visa holders have to pay for visas in their own right.

Fee recovers some of the pre-COVID immigration deficit

16 While Cabinet agreed that MBIE may use capital injections previously provided to address accumulated COVID-19 deficit, a pre-COVID-19 deficit of \$58M remains in the immigration memorandum accounts (DEV-21-MIN-0011 refers). One of the major sources of the \$56M deficit in the visa memorandum account is the under-recovery for work visa fees. Cabinet has previously agreed not to write this amount off, meaning this amount needs to be recouped from future visa fees.

17 Confidential advice to Government 
 Rather than relying exclusively on future visa applicants to recoup this loss, I propose to include a small contribution (approximately \$63) to deficit recovery in the fee for the new residence visa. This will contribute an estimated \$7 million towards the deficit recovery.

18 The expected applicants for this new residence visa have likely benefitted from the under-recovery of work visa fees in the past, and it is more equitable to recoup some costs from this cohort than putting even higher fee increases on future applicants or using Crown funds.

Fees and levies for people who have already applied for a skilled residence visa or submitted an Expression of Interest (EOI) for the SMC

19 To avoid people paying upfront for two residence processes at once, people who have a skilled residence application in process or an SMC EOI in the pool will not have to pay the application fee or levy for the new visa up front. Instead I propose this group submit an application for the 2021 Resident Visa without paying. Once their application is assessed they will then be able to choose to withdraw their other application and receive a refund (Skilled Migrant Category applicants) or pay the difference (EOI or Residence from

Work applicants) for the differences between the two fees. Chart one below sets out the difference the applicant will pay or be refunded depending on the category.

Chart one: Amount refunded or paid for different applicant groups



- 20 If they choose not to withdraw their other application (for example because their new visa application will be declined), processing on that application will continue and they will owe INZ the fee for the new application.
- 21 This approach provides this group of applicants certainty that they will be approved for a 2021 Resident visa before they decide to withdraw any other application in process. It is simple from a customer perspective because it allows the fee payment for the new application and refund for the other application to happen in one transaction (if they agree).
- 22 People who have already been included in an application for a skilled residence application will be exempt from paying the levy again for the new residence pathway. This is because these people will have already paid the appropriate levy.
- 23 Other applicants, who don't have an existing application, will pay the fee and levy upon lodgement of their application.

Refunding fees

- 24 The above approach to fees for people who have a skilled residence application in process or an SMC EOI in the pool involves only charging successful applicants to the 2021 Resident Visa only one set of fees and levies, and refunding the value of their original skilled residence application or SMC EOI fees.
- 25 Providing refunds for withdrawn skilled residence applications or SMC EOIs is expected to cost about \$26.3 million (the total fees collected). I am seeking agreement to fund these refunds from an existing tagged contingency, *Addressing the Impact of Border Restrictions on MBIE's Liquidity*, established to refund visa application fees in relation to COVID-19 impacts (CAB-20-MIN-

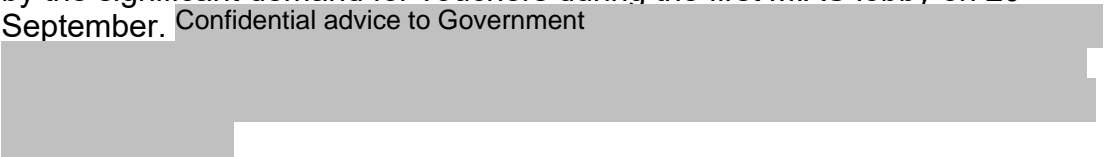
0328.03 refers). This fund was rolled over to 2021/22, and \$26 million remains.

- 26 There are currently no other plans for refunds of fees or levies and use of this funding would mean no further capital injection from the Crown is needed. Treasury supports this proposed draw down.
- 27 Using the funds in this way will mean that any further decisions to refund fees before the end of 2021/22 (for example, to visa holders who have been unable to enter New Zealand due the border closure) would likely require new capital injections or costs will be incorporated into future fees. There are no further plans to refund visa fees before the end of 2021/22 other than for this initiative. Unspent funds from the \$26 million draw down will be returned to the Crown at the end of the 21/22 financial year.

Resident visa conditions and eligibility for a permanent resident visa

- 28 I previously undertook to report to Cabinet on options for imposing additional travel conditions on the 2021 Resident Visa, and additional permanent residence checks for those holding this visa.

Travel conditions

- 29 New Zealand resident visas holders can (under normal circumstances) leave and re-enter the country on the same basis as New Zealand citizens (that is, they leave and re-enter multiple times). At present, this would mean that holders of the new resident visa would be able to leave and re-enter New Zealand and only be subject to MIQ requirements.
- 30 I do not propose to impose additional travel conditions on this resident visa or to impose additional eligibility requirements for permanent residence applications from holders of the new residence visa due to the inequity this would create for different resident visa holders.
- 31 There is significant pressure on the MIQ system at present, as demonstrated by the significant demand for vouchers during the first MIAS lobby on 20 September. Confidential advice to Government

- 32 While the size of the potential group of travellers – 165,000 onshore temporary migrants - appears significant, this cohort would amount to a small increase (~3%) to the approximately 5 million New Zealand citizens and residents onshore who already have the right to travel. The staggered application phases and anticipated processing timeframes for this group means that many will not receive their residence visa until mid-2022.

- 33 Two alternative approaches were considered:
- 33.1 Only allowing travel that does not require MIQ space, or

- 33.2 Requiring that people applying for permanent residence to have been onshore for the 90 percent of the 2 years prior to the application.
- 34 While there is some risk of further burdening the MIQ system, I did not think offsetting this risk warranted these measures. While both approaches do limit the degree of travel for holders of the new residence visa, they are inequitable – that is, this group would be held to requirements that are more restrictive than all other resident visa holders in New Zealand.
- 35 I will be reviewing criteria for the commitment to New Zealand required to gain a permanent resident visa in the future, including the amount of time that people must spend in New Zealand.

Health and character checks

- 36 I do not propose any additional character or health checks when this group applies for PRV because police and limited health checks will already have occurred as part of the residence application, and there are already provisions for character and health checks at the PRV stage where there are identified areas of concern.

Eligibility of older dependent children

- 37 There are a number of children (about 70) currently included in their parents' EOI or skilled residence application as a 'dependent', who cannot be included as a 'dependent' on a new residence application because they have turned 25.
- 38 I previously undertook to look at ways to include these children in their parent's residency application under this new pathway, so they can remain onshore with their family.
- 39 It is legally complex to allow these children to be included on their parents' applications, so I propose to extend the eligibility criteria to allow affected children to be granted a 2021 Resident Visa in their own right, provided:
- 39.1 they meet the requirements for being a dependent child (apart from age), and
 - 39.2 they are included on an EOI or skilled residence application on the day before the announcement, and
 - 39.3 one of their parents has been granted residence under this category, and
 - 39.4 they meet the standard health and character requirements for this category.
- 40 Unlike all other principal applicants for the 2021 Resident Visa, these applicants would not have to be in New Zealand. This replicates the settings for children included in applications, who can be included wherever they are as long as they meet the requirements to be considered dependent.
- 41 I also propose to exempt the fee and levy for these applicants, to align with the general practice for residence applications (that one fee covers the application costs for the principal applicants, as well as their partner and any

dependent/s). This will require a further change to the Immigration (Visa, Entry Permission and Related matters) Regulations 2010.

Work rights for older dependent children

- 42 A number of dependent children on existing skilled residence applications and EOIs are close to, or have already reached, the age of 18, left school, and face barriers to accessing tertiary education or work opportunities while awaiting an outcome on their residence application. This is because they must pay international student fees to attend tertiary education and may not qualify for work visas in their own right.
- 43 This is a long-standing setting, and families have had the opportunity to plan accordingly. However, the wait times in the skilled residence application queue have been increasing, EOI selections have been suspended for over one year, and COVID-19 has created additional processing burden for INZ and uncertainty for migrants and their families.
- 44 I am proposing to enable dependants to work up to 20 hours per week, provided the dependent child is:
- 44.1 aged 18 or older, and
 - 44.2 included in an application for a 2021 Resident Visa.
- 45 This will allow these children to work while waiting for their new residence application to be processed. Part time work is very unlikely to result in them earning enough to be considered financially independent, and therefore ineligible to be included in the application.

Timing of eligibility based on date of announcement

- 46 I propose a minor amendment to the previous agreement, to specify that a person must have met the eligibility criteria on the day before the date of announcement, rather than the day of. The date of eligibility is important because people in New Zealand are eligible if they hold an eligible visa and they meet the skilled, scarce or settled criteria previously agreed by Cabinet on that date. People are also eligible if they have an application for an eligible visa that has been received by INZ on the relevant day, provided they are subsequently granted the eligible visa.
- 47 Cabinet previously agreed that the new residence pathway would be available to people who meet the required criteria on the date of announcement. This was intended to avoid people changing their circumstances after the announcement to become eligible for the new residence pathway.
- 48 However, the Immigration Act operates on a 'day date' basis (as opposed to a 'time of day' basis), which means that people would have had until midnight on the date of the announcement to become eligible - for example, by applying for a different visa. Sticking with the current Cabinet decision would therefore undermine the intent that people must have *already been* on the relevant type of visa and met the other criteria when the policy was announced in order to be eligible, potentially result in a large number of applications for temporary work visas just to become eligible for the new

residence pathway, and make it more complex for Immigration New Zealand to process applications for the new residence pathway.

Financial Implications

49 The costs of the new residence visa will be fully cost recovered from applicant fees. Some applicants may seek refunds for withdrawn applications which I propose to meet from a contingency fund.

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51 I am seeking to draw down funds from an existing contingency for fee refunds.

Legislative Implications

52 The proposals in this Cabinet paper on immigration fees and levies will require changes to the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010.

53 I expect Cabinet Legislation Committee to consider amendments to the regulations in November 2021. I propose these changes be implemented by the end of November to support the opening of the new visa category on 1 December 2021: this will require a waiver to the 28-day rule.

Impact Analysis

54 Treasury's Regulatory Impact Analysis Team has determined that the proposals relating to the following issues are exempt from the requirement to provide a Regulatory Impact Statement, on the grounds that they have no or only minor impacts on businesses, individuals, and not-for-profit entities:

- allowing payment exemptions from immigration levy where applicants have already paid with a different residence application, and
- allowing application fees to be refunded where an applicant has already paid for residence application
- exempting children over the age of 24 who were previously included in a skilled residence application or EOI from having to pay the immigration fee or levy, and
- requiring fee and levy payment after INZ consideration (instead of upon submission) from applicants who have a skilled residence application or EOI

55 A Cost Recovery Impact Statement (CRIS) has been prepared by the Ministry of Business, Innovation and Employment on the proposals involving fee-setting for the new residence visa, and is attached as **Annex One**.

- 56 MBIE's Regulatory Impact Analysis Review Panel considers the CRIS meets the Regulatory Impact Analysis requirements. It could not be considered to fully meet requirements due to the lack of consultation about the fee and levy settings.

Human Rights and Treaty of Waitangi implications

- 57 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993, and with New Zealand's international commitments to enabling movement of people, bearing in mind the considerations relating to the impact on MIQ discussed above. The Immigration Act 2009 recognises that immigration matters inherently involve different treatment based on personal characteristics, but immigration policy development seeks to ensure that any changes are necessary and proportionate.
- 58 Officials do not consider that there are adverse Treaty of Waitangi implications of the proposals in this paper.

Consultation

- 59 The following agencies were consulted in the development of this paper: the Treasury and the Managed Isolation and Quarantine unit within the Ministry of Business, Innovation and Employment.
- 60 The following agencies were informed of the contents of this paper: Ministry of Social Development, the Police, Department of Internal Affairs and Ministry of Education.

Publicity

- 61 I announced the creation of this new visa pathway on 30 September 2021, in consultation with the Prime Minister and relevant portfolio Ministers.
- 62 Further announcements, including of details included in this paper, are expected to follow in late October. I will work with the Prime Minister and relevant portfolio Ministers to develop further communications.

Proactive Release

- 63 I propose to release this paper proactively. Any redactions made will be consistent with the *Official Information Act 1982*.

Recommendations

I recommend that Cabinet Business Committee:

I N C O N F I D E N C E

- 1 **note** that on 6 September 2021 Cabinet agreed to a new, one-off residence visa to be called the 2021 Resident Visa, and that it will primarily be available to migrant workers in New Zealand who [CAB-21-MIN-0359]:
 - 1.1 hold an eligible work visa, AND
 - 1.2 are either:
 - 1.2.1 Settled (have been in New Zealand for three years), OR
 - 1.2.2 Skilled (earning the median wage or above), OR
 - 1.2.3 Scarce (working in a role on the Long Term Skills Shortage List, or hold occupational registration and work in the health or education sector, or working in a personal care or other critical health worker roles, or specified non-seasonal roles in the primary industries).
- 2 **agree** that temporary workers in New Zealand must meet the criteria above on the day before the date of announcement, rescinding Cabinet's previous agreement for criteria to be met on the date of announcement
- 3 **note** the Minister of Immigration will certify immigration instructions setting out detailed criteria for a grant of a 2021 Resident Visa

Fee and levy for new policy

- 4 **agree** to a fee of \$1,330 for the 2021 Resident Visa
- 5 **agree** to an immigration levy of \$830 for the 2021 Resident Visa
- 6 **agree** that people who are included in a skilled residence application or EOI who apply for a 2021 Resident Visa will be required to pay the fee and levy (if required) following assessment of the application, and payment will be required to complete the application
- 7 **agree** that a principal applicant of a skilled residence application or EOI who has applied for a 2021 Resident Visa will be able to receive a refund for their previous application or EOI when:
 - 7.1 INZ has written to them to request payment for the 2021 Resident Visa, and
 - 7.2 they have agreed to withdraw their previous application or EOI
- 8 **note** the applicant will have the option to use their refund from their previous application to offset the fee for their 2021 Resident Visa
- 9 **agree** that people who are included in a skilled residence application who apply for this new visa be exempt from the immigration levy

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- 10 **note** that the proposals in this Cabinet paper on immigration fees and levies will require changes to the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010;
- 11 **invite** the Minister of Immigration to issue drafting instructions to the Parliamentary Counsel Office to give effect to the decisions in this paper
- 12 **authorise** the Minister of Immigration to make further decisions on consistent with these decisions on any issues which may arise during the drafting of regulations or immigration instructions
- 13 **agree** that people who are included in a skilled residence application who apply for this new visa be exempt from the immigration levy
- 14 **note** that in order to support the opening of the 2021 Residence Visa by 1 December 2021, the regulations will require a waiver of the 28-day rule

Funding for refunds

- 15 **note** that the cost to INZ of refunding EOIs and skilled residence applications is estimated to be \$26.3 million
- 16 **note** that a \$306 million capital injection was provided to MBIE including a \$119 million tagged contingency to support MBIE’s cash liquidity and visa application fee refunds of which \$26 million remains (CAB-20-MIN-0328.03 refers)
- 17 **approve** the following capital injection to MBIE to fund the refunds described in recommendation 7 above, with a corresponding impact on net core Crown debt:

	\$ million – increase (decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
Ministry of Business Innovation and Employment: Capital Injection	26.000	-	-	-	-

- 18 **agree** that the departmental capital injection in recommendation 17 above be included in the 2021/22 Supplementary Estimates and that, in the interim, this capital injection be met from Imprest Supply
- 19 **agree** that the capital expenditure in recommendation 17 above be charged against the capital contingency *Addressing the Impact of Border Restrictions on MBIE's Liquidity*, previously established by Cabinet
- 20 **note** that, subject to agreement to recommendation 17 above, the *Addressing the Impact of Border Restrictions on MBIE's Liquidity* tagged capital contingency will be reduced to zero

Approach to children over 24

- 21 **note** there are some children included in skilled residence applications and EOIs who are now older than 24, and therefore are not eligible to be included as dependent children if their parents apply under the new policy
- 22 **agree** to allow these children to be eligible to be granted a 2021 Resident Visa if:
- 22.1 they meet the requirements for being a dependent child (apart from age), and
 - 22.2 they were included on an EOI or skilled residence application on the day before the announcement, and
 - 22.3 one of their parents has been granted residence under this category, and
 - 22.4 they meet the standard health and character requirements for this category.
- 23 **agree** to exempt such children from paying the fee or immigration levy

Part time work for children 18 and over

- 24 **note** that children who are 18 and over who are awaiting the outcome of a resident visa application cannot generally work and would have to pay international fees to attend tertiary study
- 25 **agree** that the ability to work 20 hours be available to children who are:
- 25.1 aged 18 or older, and
 - 25.2 included in a 2021 Resident Visa application

Travel conditions for residents and permanent resident visas

26 **agree** that 2021 Resident Visas will not have any additional travel restrictions

Authorised for lodgement

Hon Kris Faafoi

Minister of Immigration

**Annex One: Cost Recovery Impact Statement prepared by the
Ministry of Business, Innovation and Employment**

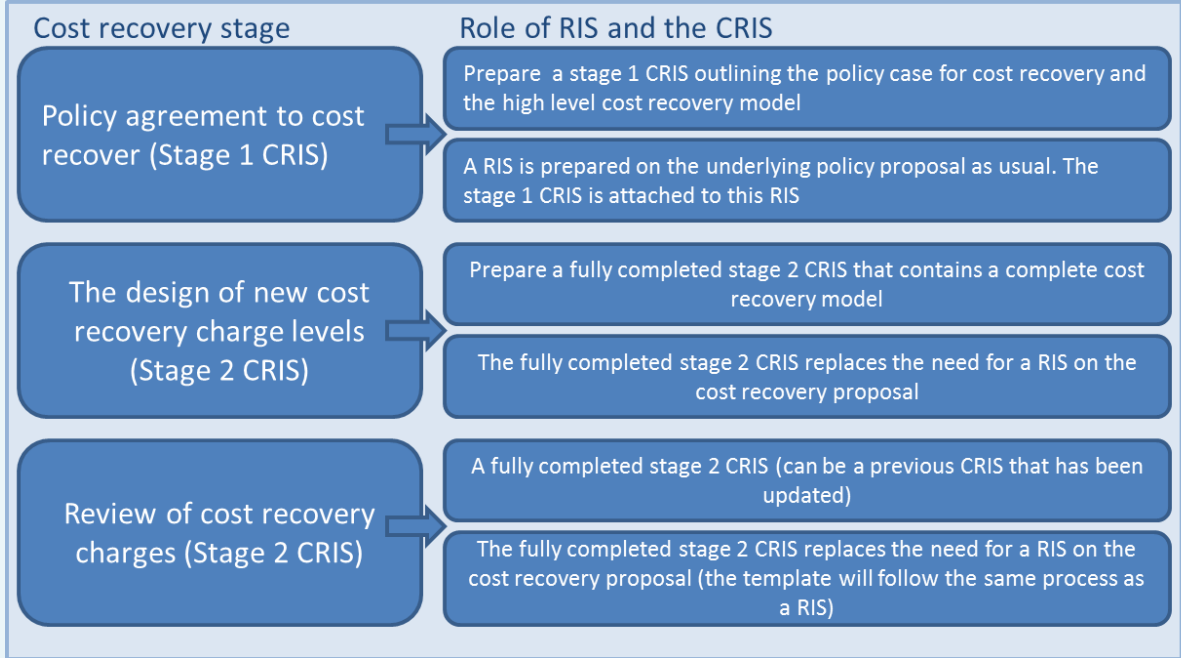
More Stage 2 Cost Recovery Impact Statement Template

The stage 2 Cost Recovery Impact Statement (**CRIS**) template is designed specifically for proposals seeking agreement on cost recovery levels.

The stage 2 template can replace the Regulatory Impact Statement (RIS) requirements. Consult your Treasury vote analyst to first decide whether this is appropriate. The template will follow the same QA process as an RIS.

The purpose of the stage 2 template is to provide a place to clearly present the information decision makers require in order to make a decision on cost recovery levels.

The diagram below illustrates the information requirements for each of the cost recovery stages



Guidance to assist you in completing the cost recovery template:

Treasury Guide: [Guidelines for Setting Charges in the Public Sector](#)

Controller and Auditor-General Guide: [Charging fees for public sector goods and services](#)

Stage 2 Cost Recovery Impact Statement

COVID-19 Resident visa

Purpose of Document	
Decision sought:	Approval for introduction of fees and levies for the new COVID-19 Resident visa.
Advising agencies:	Ministry of Business, Innovation and Employment
Proposing Ministers:	Minister of Immigration
Date finalised:	<i>i.e. date the RIS was signed out</i>
Problem Definition	
<p>Cabinet has agreed to implement a new residence policy for migrant workers who are currently in New Zealand. The new visa category will be open between 1 December 2021 and 31 July 2022. Fees need to be set to recover the cost of processing visa applications. The rate of migrant levy also needs to be agreed.</p> <p>Complexities in setting the fee and levy for this initiative include assessing:</p> <ul style="list-style-type: none"> • whether to include an amount for cost recovery of INZ’s memoranda account deficit and the appropriate amount • the appropriate rate of immigration levy 	
Executive Summary	
<p>Cabinet has agreed to a new visa that will introduce a one off pathway to residence for onshore migrant workers who meet the eligibility criteria on the date of announcement. Some workers who are subsequently granted a border exception as critical health workers or ‘other critical workers’ (for longer-term roles) and enter New Zealand by 31 July 2022 will also be eligible.</p> <p>The new residence visa will be available to approximately 110,000 eligible onshore migrants. Applicants may include their partners and dependent children, whether they are onshore or offshore.</p> <p>Regulatory change is not required to establish the new residence category itself, as that can be established within immigration instructions. However, Immigration New Zealand (INZ) relies on a cost recovery model for funding, therefore a new fee and immigration levy is required to cover the costs associated with the new residence category, and these need to be reflected in the Immigration (Visa, Entry Permission and Related Matters) Regulations 2010 (the Regulations).</p> <p>The fee and levy are proposed to be set in a similar way to INZ’s other fees and levies. That is they are payable on a per application basis, upon submission of the application to INZ. They have been set using well established models that have been used for other fees and levies.</p>	

Stakeholders other than government agencies have not been specifically consulted on the new residence policy. The stakeholders who will be most affected by the policy other than the migrants themselves are their employers. The new policy will provide certainty to both migrants and their employers, and will be supported by both groups. The benefits will be felt in a range of industries and sectors particularly healthcare (including aged care), primary industries and education. Additionally any sector where some pay rates tend to be higher than median wage will see benefits (for example technology and engineering).

The initiative does not provide a new residence pathway for some lower-paid workers in occupations where the skills are not deemed to be scarce. These are likely to be in the hospitality, retail and tourism sectors. Employers in those industries may be critical of the policy. However normal residence and temporary visa channels remain available so there is no one disadvantaged by not being included in eligibility.

Limitations and Constraints on Analysis

This initiative has been formulated rapidly, and the timeframe for implementation, including regulatory fee setting is constrained. Review timeframes, including by the MBIE Regulatory Impact Analysis Review Panel (RIARP) will necessarily be shortened to meet timeframes for regulatory development.

MBIE provided options around eligibility principles and options to Cabinet. A Cabinet decision has now been made about the option to pursue [CAB MIN 21-0359].

Assumptions and risks

An assumption has been made that 80% of the estimated 110,000 eligible visa holders will apply for the new visa. Modelling has therefore been based on 88,000 applications. Although we expect the offer of residence to be popular, take up is never 100%. Additionally the 110,000 is an estimate based on assumptions – it is likely to be the maximum number of eligible applicants.

There is some uncertainty about some aspects of the volumes forecast. Specifically:

- INZ holds data about the length of time in New Zealand for all visa holders. However data about occupation and wages are only available for visa types that are linked to a specific job and employer. Some of the eligible visa types are not linked to an employer (open work visas). For the purposes of forecasting the number of eligible people, an assumption has been made that open work visa holders will qualify on the basis of occupation and wages at the same rate as the people INZ does have occupation and wage data for, but in fact, this proportion is likely to be lower. This is because the largest group of open work visa holder are post-study work visas, who are people who have recently finished study in New Zealand (and are therefore less likely to be in higher paid, skilled roles).
- Although good data is available about the number of people who meet each of the skilled, settled and scarce criteria within employer-linked visas, it is difficult to disaggregate the number of people who meet more than one requirement. Therefore some assumptions have been made to get to the 110,000 figure without ‘double counting’ those who for example, are both skilled and settled.

It has been assumed that the approx. 13,500 people who have already submitted SMC or

RfW applications will apply under the new category, in anticipation of faster processing, however, not all may choose to do so – for example because it may seem to be an administrative burden.

A further assumption used in the costings is that INZ will use the Immigration Global Management System (IGMS) ICT platform to accept and process these applications instead of a different or new platform. INZ is currently in the process of replacing this system, with the target of being able to transfer fully to the new system by mid-2022. Using the IGMS platform for this visa means that it will have to be supported beyond the period expected, however it may not be possible to build a form in the replacement platform in time for the 1 December 2021 implementation date.

Consultation

Stakeholders other than government agencies have not been specifically consulted on the new residence policy. It is currently planned to be announced on 1 October 2021. As eligibility is calculated on date of announcement, consulting publicly before announcement would be likely to result in people adjusting their circumstances in advance of announcement in order to become eligible, which would undermine the Cabinet intent.

The lack of consultation limits our ability to understand the impact of the fee and levy on migrants, however the framework for charging fees and levies is well established in the immigration system and the level of fee and levy proposed is in line with similar fee and levy categories. For these reasons we have some confidence in our assessment of the impact of the fee and levy on migrants.

Responsible Manager(s) (completed by relevant manager)

Andrew Craig
Manager Immigration (Skills and Residence) Policy
Labour, Science and Enterprise
Ministry of Business, Innovation and Employment

16 September 2021

Quality Assurance (completed by QA panel)

Reviewing Agency:	Ministry of Business, Innovation and Employment
Panel Assessment & Comment:	MBIE's Regulatory Impact Analysis Review Panel has reviewed the attached CRIS prepared by MBIE. The Panel considers that the information and analysis summarised in the CRIS meets the criteria necessary for Ministers to make informed decisions on the fee proposals in this paper.

Status quo and problem definition

New resident visa category

The tight restrictions placed on the New Zealand border as a public health response to COVID-19 have had a number of impacts on temporary migrant workers and their employers. In particular:

- A reduced flow of migrant workers into New Zealand that businesses previously relied on. While initially it also stemmed the outward flows considerably, departures are now easier, occurring and likely to increase.
- The border restrictions and COVID-19 have kept many temporary migrant workers in New Zealand for the duration of the pandemic, extending their time onshore. Many who envisaged short stays have been in New Zealand for over two years now and are eligible for a further two-year visa extension. This means most onshore migrants already have the ability to live and work in New Zealand until mid-2023 at least.
- There have been increased application volumes for residence from onshore migrant workers, and long delays for many who have submitted an application.
- A pause to drawing people from the SMC expressions of interest (EOI) pool for an invitation to apply for residence has added to the uncertainty of potential residence applicants.

Without more certainty about residence options, migrant workers will start to leave New Zealand for either their home country or other third countries (such as Australia) where they may be able to stay permanently. There is already some anecdotal evidence of this occurring. If this trend grew, it would exacerbate onshore labour shortages and increase pressure from employers to bring in more workers from overseas at a time when MIQ capacity is already extremely stretched.

This new residence visa policy also supports the changes being considered in relation to the Immigration Rebalance, including by increasing the onshore workforce, contributing to the pool of skills that is permanently onshore, providing a larger pool of candidates that employers can support with training, and boosting the resilience of employers in key migrant-reliant sectors. The inflow of temporary migrant workers should be on average lower when the border reopens. It should bolster the resilience of employers in key migrant-reliant sectors ahead of a rebalance of the availability of new lower-skilled migrant workers

Cabinet has decided to establish a one-off pathway to residence for onshore migrants. The pathway is available to migrants who:

- have been onshore for over 3 years (“settled”); or
- have been onshore for a shorter period but meet criteria for being “skilled” (earns above the median wage); or
- have been onshore for a shorter period but meet criteria for being “scarce” (works in a role on the Long Term Skill Shortage List, OR holds occupational registration and works in the health or education sector, OR works in personal care or other critical health worker roles or specified roles in the primary industries [not seasonal roles] (based on a list of eligible occupations).

Migrants may include their partners and dependent children. Migrants must meet health and character requirements.

Fee and levy for new resident visa category

INZ's functions are primarily funded through cost recovery, through application fees and immigration levies. Without a new fee and levy to fund the costs that the new resident visa will incur, INZ would have to seek Crown funding.

Collection of fees and immigration levies is authorised under sections 393 (fees) and section 399 (levies) of the Immigration Act 2009. The new fee and levy will be established in the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010, to take effect by 1 December 2021 when the new resident visa policy is implemented.

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

The Cabinet Committee on Government Expenditure and Administration paper of 24 October 2006 entitled "2006 Immigration Fees Review: Principles for Setting fees", reaffirmed the broad fee setting principles that were established in 2000, being "full cost recovery from individuals who generate costs or benefits from services". A table setting out these principles and how each of them is met through this analysis is set out in the next section.

The proposals in this CRIS are consistent with this directive, as well as the Treasury Guidelines for Setting Charges in the Public Sector, and the paper "Charging fees for public sector goods and services" provided by the Controller and Auditor General.

The immigration system is paid for, in large part, by fees and levies recovered from migrants and employers. This recognises the benefits migrants receive from decisions made on applications for visas. It enables migrants to appropriately contribute to system costs which arise from migration.

- Fees are charged on a full cost-recovery basis for the costs and associated overheads of decision-making on visa applications. A fee is normally an appropriate charging mechanism where a service or function is provided to an individual, it provides the individual with a benefit, and the service or function is provided on request.
- Levies contribute to immigration system costs which cannot be directly attributed to a specific applicant, including border processing, compliance, and activities of the Immigration Advisers Authority. A levy is usually charged to members of a certain group or industry, and used for a particular purpose, rather than specific services provided to an individual.

In addition, the Crown makes a contribution to the immigration system in recognition of the public benefits it provides. This includes funding to meet New Zealand's international obligations to refugees, to pay for fraud investigation and prosecution, deportation activity and to address the costs associated with the border clearance of people who do not pay fees, such as New Zealand citizens.

In keeping with the above principles and the Regulatory framework, the operating costs of processing visas under the new visa category will be fully met by applicants.

A per application fee and levy was considered the best way to recover costs associated with this new policy because it is in keeping with the existing fee and levy framework which is well established in the immigration system. This means:

- INZ has a high degree of confidence in establishing the appropriate fee and levy rate because it uses a process that has been completed for many other fees
- INZ's customers and stakeholders are accustomed to this manner of being charged for INZ services, so that even though it is not possible to consult on the fee, we can anticipate this fee will not be surprising or disruptive to them
- INZ's ICT systems and human processes are set up to collect fees and levies in this manner

The flat fee model does result in some cross-subsidisation. Some applications are faster to process than others, but it is not possible at the start of the application process to know precisely which ones will take the longest. Applications that are subsequently declined tend to take the longest to process. The Immigration Act does allow for this cross subsidisation in that it allows for averaging of costs or potential costs (section 393 (6)).

An alternative that apportioned costs without averaging or cross-subsidisation (such as an hourly rate) would not meet the cost recovery principles of equity, transparency and efficiency for the following reasons:

- The costs are not known until after the application is decided, which would mean that people would not be charged until the end of the application process – this would make it difficult to collect fees from people whose applications were declined (efficiency)
- INZ does not currently have the capability to track the time spent on each application in enough granular detail to accurately bill per hour (efficiency)
- Applicants would not know up front what their fee would be, which would impact on their ability to decide whether to make the application or not (transparency)
- Fees amounts would vary greatly between different applicants – those with the most marginal applications (which tend to come from the most vulnerable migrants) would take the longest and be charged the most (equity)

Cost Recovery Principles and Objectives¹

The application fee and immigration levy in relation to this initiative are underpinned by the following cost recovery principles and objectives. These principles are consistent with the Treasury guidelines, and section 393 of the Immigration Act 2009. These principles are as defined in previous Regulatory Impact Statements.

¹ A principle is a general rule that should be used to guide cost recovery design, a feasible option must meet the stated principles. An objective is more of a goal that a specific cost recovery proposal should meet, the recommended option does not need to meet all of the objectives.

PRINCIPLE	DESCRIPTION
Equity (between migrants and New Zealand taxpayers)	Costs are fully recovered from fee and levy payers for the provision of services and management of risks associated with migration. Where the activities have both public and private benefits, costs are shared between the Crown and migrants.
Authority	The Immigration Act and the Regulations provide authority to recover costs of the immigration system through fees and levies.
Transparency and consultation	<p>As above, consultation on the fee has not been possible due to timeframes and sensitivity of the policy change in advance of the announcement.</p> <p>This CRIS will be published as required. This fee has been set according to established cost recovery calculations used for other fees set within the immigration framework. This mechanism is generally well understood by interested stakeholders.</p>
Efficiency	Regular review of fees and levies ensures that fees reflect the costs of underlying services and support efficient resource allocation.
Simplicity	<p>Fees and levies for applications are fixed in regulations and charged at the point of application. Information is readily available through the application process.</p> <p>An average fee is set across applicants within a particular category. This involves smoothing the fee to take into account applications that require more or less processing, due to differing levels of complexity.</p>
Accountability	Fees and levies must be set by regulation approved by the Government where the usual regulatory accountability mechanisms apply. INZ fees and revenues are scrutinised as part of its public sector financial accountability arrangements.

OBJECTIVE	DESCRIPTION
Equity (between visa applicants)	The provision of visa services provides private benefits to individual migrants, which do not overlap. As much as possible, the relativity between visa categories should reflect the relativity of the underlying processing efforts so that cross-subsidisation is minimised. At the same time, complexity needs to be avoided.
Effectiveness	Funding is set at a level that ensures the level of service is maintained against increasing volume pressures and changing risk profiles.

Additional charge to be included to recover memorandum account deficit

INZ is also in a position of deficit in the memorandum account. In recent times this is largely caused by the drop in visa application volumes due to COVID-19, but over time, there has been a general under-recovery of costs in visa processing, in particular for work visas. This is in part because the expectations of the checks INZ will do on employers with each work visa has grown over time without a corresponding update to the fees. In fact, funding activities related to the employer from a fee collected from the employer was part of the rationale for the new accredited employer framework.

As at 30 June 2021 the visa memo account deficit was \$299 million. Cabinet agreed to write off the deficit to the pre-COVID-19 level. This was taken as the balance as at 28 February 2020, -\$56 million.

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However, because the new resident visa is a time limited policy that will be closed by the time the next funding review is complete, it is proposed that the fee includes a portion to partially address this deficit in the memorandum account.

To qualify under the new policy, a person must have a work visa, and many of these people are likely to have held multiple work visas. Therefore they will have benefitted over time from the lower work visa fees they paid. This minimises the concern about cross-subsidisation of past visa applicants by future visa applicants.

Having these visa applicants contribute to paying off the deficit is an equitable response, rather than allowing the burden or risk to fall on New Zealanders, and is explicitly allowed for under the fee-setting powers of the Immigration Act 2009.

Further, this policy initiative will have a long term impact on future demand for visas. Failing to attribute some of the deficit recovery to this cohort would have a significant impact on the ability to recover the deficit over a reasonable time period, and mean that future migrant cohorts face in inequitably high burden.

The contribution attributable to this initiative is \$7.0 m. This is based on an assumption that the expectation will be to recover the pre-COVID-19 deficit of \$56 million over a three year period, in line with the normal fee and levy review cycle, ie approx. \$19 million per year. The portion of the annual \$19 million to be recovered from this visa has been calculated by determining the percentage of third party revenue derived from Work and Residence visa applications, in an average pre-COVID year (37.5%) and attributing that percentage to the \$19 million sum.

Without some deficit recovery taking place with this group of applicants, it is likely future applicants, including those who have never previously applied for a visa, would take up more of the burden of deficit recovery.

Fees modelling

This is a new fee for this specific resident visa category. The fee of \$1,330 is proportionate to other resident visa fees for migrant workers which range from \$970 for RfW to \$1,880 for SMC. The immigration levy of \$830 aligns with the levy charged for other resident visas for skilled migrants.

The fee calculation is based on standard INZ resource modelling relating to processing costs. This ensures that all identified organisational expenses incurred in processing an application are allocated. This minimises inequitable cross subsidisation in the pricing amongst this category of visa applicants, and applicants for other visa types. The allocation results in a per transaction price for the service provided.

Border and Visa Operations (BVO) staffing costs and associated overheads are the highest contributor to the overall cost. These are the staff who will be directly interacting with the applications, in particular, support staff who do manual data entry and basic checks and immigration officers who assess and decide the applications. Staff from the Verification and Compliance team will have some interactions with the applications. These staff may undertake specific action to verify the information provided in an application if required (for example checking that a person genuinely works for the employer claimed). Application processing completed by BVO and V&C staff is fee funded. The direct and indirect costs of those staff and the applications that they process are what is included in INZ's fees model. In accordance with the approach in the most recent Immigration fees and levies review (2018), risk management and regulatory aspects of the administration of the immigration system that are not attributed to specific applicants (including border processing, the cost of compliance and investigation/prosecution activities, or activities of the Immigration Advisers Authority), are Crown funded, and not included in the fee calculation model. Levy funded activities that are not attributable to an individual visa applicant are also not included. This reflects that these matters contribute to the public good and specific policy objectives for the overall immigration portfolio.

The level of the proposed fee and its cost components (cost recovery model)

Table 1: Cost Recovery model

Residence Pathway cost and fees analysis Covid Residence Pathway cost to be recovered		
Estimated number of eligible applications Skilled or Scarce, or over 3 yrs.	110,000	Assumptions and data sources
Allocation of budgeted expenditure		
Personnel Costs	\$26.6m	Allocated based on the resources required for this visa, percentages supplied by: BVO (26.6%) and Verification and Compliance (23%).
ICT	\$13.6m	45% of the Assessment and Processing ICT spend has been allocated, based on the volume of applications going through INZ's systems. Note: 100% of IGMS cost (\$3.8m) from Jun-22 - Dec-22 as this will be the only visa product using this system.
Depreciation and Capital Charge	\$16.1m	Allocated based on the 45% volumes estimate used for ICT cost allocation.
Other operating costs	\$3.9m	Cost including office lease and running costs. Allocated based on the blended resource allocation of 26.2% (proportioned BVO and V&C resource allocation)
Corporate Allocation - Personnel driven	\$10.4m	Allocation of Corporate services e.g. Legal, Finance, Payroll, HR. Allocated based on the blended resource allocation of 26.2%.
Corporate Allocation - ICT	\$11.3m	Allocation of Corporate ICT systems & support costs e.g. MBIE's cloud services, wifi, intranet etc. Allocated based on 45% volumes of applications.
Immigration Contact centre	\$6.2m	Allocation based on the percentage of call time for Residence & Work visas during Jun21 - Aug21 (52%).
Total	\$88.1m	
Direct cost of the initiative		
Police Check	\$1.4m	\$8.50 per check, assumes 1.5 checks per application (as supplied by BVO). Full payment to Police upfront for them to gear up resources.
Project costs	\$3.4m	Programme manager, ICT system changes & staff training (\$2.4m), Comms, admin and support.
Contribution to reduce memo account deficit	\$7.0m	3 years to recover pre-covid \$56m deficit (\$19m p.a). Allocated based on the percentage of visa application revenue received in a pre-covid year from the visa types eligible for the Residence Pathway visa (37.5%).
Merchant fees (2%)	\$2.2m	INZ will be charged a bank fee of 2% of the fee.
Minimum Cost to be Recovered	\$102.1m	INZ's 3rd party funded expenditure in 21/22 is budgeted to be \$272m. The minimum cost to be recovered equates to 38% of that total expenditure.

Fees and Volume Scenarios and the Impact on the Visa Memo account

% of eligible people who apply	100%	90%	80%	70%	60%	50%
Fees / Volume	110,000	99,000	88,000	77,000	66,000	55,000
\$800	-\$14.1m	-\$22.9m	-\$31.7m	-\$40.5m	-\$49.3m	-\$58.1m
\$900	-\$3.1m	-\$13.0m	-\$22.9m	-\$32.8m	-\$42.7m	-\$52.6m
\$1,000	\$7.9m	-\$3.1m	-\$14.1m	-\$25.1m	-\$36.1m	-\$47.1m
\$1,100	\$18.9m	\$6.8m	-\$5.3m	-\$17.4m	-\$29.5m	-\$41.6m
\$1,160	\$25.5m	\$12.7m	-\$0.0m	-\$12.8m	-\$25.5m	-\$38.3m
\$1,200	\$29.9m	\$16.7m	\$3.5m	-\$9.7m	-\$22.9m	-\$36.1m
\$1,300	\$40.9m	\$26.6m	\$12.3m	-\$2.0m	-\$16.3m	-\$30.6m
\$1,400	\$51.9m	\$36.5m	\$21.1m	\$5.7m	-\$9.7m	-\$25.1m
\$1,500	\$62.9m	\$46.4m	\$29.9m	\$13.4m	-\$3.1m	-\$19.6m
\$1,600	\$73.9m	\$56.3m	\$38.7m	\$21.1m	\$3.5m	-\$14.1m

Assuming 80% of eligible people apply for the new visa, the fee needs to be set at \$1,160 excluding GST to cover the cost of this visa. The GST inclusive amount is **\$1,330**.

The impact on the visa memo account would be:

Total expenditure as per above \$102.1m

A fee of \$1,160 (excluding GST) would generate \$102.1m of revenue. This is contingent on 88,000 applications being received.

Surplus/(deficit) to Visa memo account \$0.0m

Explanation of the fees model

The COVID-19 Resident visa fees model is based on an assessment of the number of FTE immigration officers required to process the expected volume, with 80% completed within 12 months of the policy opening, and using established formulae from the existing budgetary allocations to calculate the costs per FTE. This will establish a fee for this time limited policy.

There will be a single fixed fee. All applicants will be onshore, therefore a separately specified band for applications from offshore or the Pacific is not applicable in this case. Immigration Regulations require fees to be expressed as GST inclusive. Fees have been rounded to the nearest \$10.

Expenses

The expenditure calculation reflects the allocation of budgeted expenditure for the FY21-22 that will be allocated to this initiative. Based on the average assessment time per application (assessed at 154 minutes), the model factors in:

- The number of full time equivalent (FTE) processing staff to deliver the anticipated volume of decisions within the 12 month period, which make up 26.2% of all processing staff. This includes:
 - 26.6% of BVO processing staff (immigration officers, support officers, technical advisers and immigration managers)
 - 23% of Verification and Compliance processing staff (verification officers)
- An allocation for the Immigration Contact Centre based on historic data relating to call volumes and call length for residence and work visas
- Proportion of allocation of INZ's ICT costs, depreciation and capital charge, based on estimate that these applications will make up 45% the forecasted volume of applications received during the period that the policy is open.
- Proportion of allocation of INZ overheads, including property and non-processing management functions based on 26.2% of available processing staff working on this category
- Proportion of allocation of MBIE overheads, including facilities, ICT (cloud services, intranet etc), and corporate services such as Human Resources, Finance, Legal and the Office of the Chief Executive based on 26.2% of available processing staff working on this category

The cost to deliver the initiative further factors in:

- a contribution to recovery of the deficit in the memorandum account
- other operational costs, including merchant fees, and police vet fees
- project costs including ICT development, change management, and communications.

Immigration levy

Cabinet will also decide the rate of the immigration levy to be paid per application. Current levy rates under [Schedule 6](#) of the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010 provides for two levels of levy for Residence class applications.

The levy of \$830 is charged for residence visa applications in work, investor and business categories, and the levy of \$410 is charged for residence visa applications in family and Pacific based categories.

It is proposed that the levy for this application be aligned with the other skilled and business categories, ie \$830.

What does the immigration levy fund?

A fee is normally an appropriate charging mechanism where a service or function is provided to an individual, it provides the individual with a benefit, and the service or function is provided on request. Within the immigration context, applicants request INZ to assess and process their applications. Visa applicants receive the benefit of this service, which may result in the approval of a visa which they can use to travel to or stay in New Zealand.

A levy is usually compulsory to pay, charged to members of a certain group or industry, and used for a particular purpose, rather than specific services provided to an individual. A particular member of the group may have little direct contact with the service provider and may not benefit directly from the service, but it is desirable that they contribute to the cost. This is because, as a group, they generate the need for or benefit from the services (eg some visa holders will not abide by their visa conditions and will generate compliance costs).

Levies are charged to cover costs relating to border processing, compliance, minimising migrant exploitation and people trafficking, settlement and integration of refugees and other migrants and marketing/attraction.

Why is the Skilled/Business levy appropriate?

The higher levy for skilled/business stream includes a contribution to information and education services that the other streams do not pay. In considering whether it is appropriate to charge the higher skilled/business rate, consideration was given to what particular services are funded by that portion of the levy and whether this particular group of residents had used those services and would continue to do so.

This portion of the levy primarily funds the provision of information to migrants and other stakeholders (particularly employers). For example, levies fund:

- The INZ website, including a special section with dedicated tools for employers
- INZ Relationship Managers who manage relationships with employers in particular industry sectors and with other stakeholders such as Licensed Immigration Advisers
- Webinars, newsletters and other information products for particular employer or stakeholder groups
- Targeted email updates from INZ to particular visa holders and their employers about policy or operational changes likely to be relevant to their particular situation.

Due to the rapidly changing immigration policies since the closure of the border, there has been a very high demand for these information services from migrants working in New Zealand and their employers. Without the staff, systems and tools funded by the levy, INZ would have struggled to keep migrant workers and employers up to date with changes to immigration settings that impact them.

The higher levy covering information services is appropriate for this cohort because currently onshore workers and their employers have been some of the biggest beneficiaries of levy

funded information services. The benefit this cohort gain from these information services across the group is similar to any other group of skilled/business residence applicants.

Exemptions from the levy for those who have already paid

Those applicants who have already paid a levy with a previous residence application, will be exempted by Regulation from the requirement to pay the migrant levy on their new COVID-19 Resident visa application. This is because share of the services paid for by the levy that a particular applicant consumes will not increase if the person makes two applications instead of one, therefore it would be inappropriate to charge the levy again.

Comparisons with other visa categories and internationally

Table Two: Comparison to existing visa fees (skills based categories, price for applications submitted in New Zealand)

Visa category	NZ based fee	Fee and levy	Fee and levy for family of four*
New residence policy	1,330	2,230	2,230
Residence class visa application—Skilled Migrant Category	1,880	2,710	2,710
Residence class visa application—Residence from Work Category	970	1,800	1,800
Residence class visa application—any other residence category	1,070	1,900	1,900
Work visa – Essential Skills	440	495	1,540

*Two working adults and two school age children

Table Three: Comparison to residence visas based on work in other countries

Country and visa name	Fee in local currency	Fee in NZD
Australia Employer Nomination Visa	AUD 4,045	4,184
Canada Express Entry Visa	CAD 1,325	1,468
United Kingdom Skilled Worker Settlement	GBP 2,389	4,646

Impact analysis

Migrants

Whilst we do not know conclusively the impact of the level of fee on migrants, we note it is in line with other fees charged by INZ and migrants retain the option of applying for a work visa. A work visa has a lower fee and levy total of \$495. However, work visas are generally granted for two years only (compared to resident visas that allow indefinite stay in New Zealand) and do not provide all the benefits of residence such as better access to New Zealand publicly funded services.

Additionally, a work visa can only include one person, and other family members have to apply for visas separately based on that person's work visa (eg student visas for school age children). Residence visa applications can include all family members without any difference to the fee. For a family of two adults on work visas and two children on student visas total fees and levy they would pay would total \$1540, which is much more comparable to the cost of residence.

Given the benefit of residence compared to a further work visa, the higher price is likely to be seen as worth paying for nearly all eligible applicants. This is especially true of applicants with family as the ability to include family in resident visas for the same fee effectively reduces the price differential for these people.

Immigration New Zealand – service delivery risks

The expectation set in the Cabinet paper is that INZ will process 80% of the applications under this new category within 12 months of the category opening on 1 December 2021. The number of immigration officers that will be dedicated to processing this category has been calculated in order to meet that target. However, there is an element of applicant behaviour that is hard to predict. It is anticipated that most eligible people will apply shortly after the category opens as they will be keen to secure residence status and the associated benefits. If most applicants wait until close to the end of the period (31 July 2022) to apply, it will be very difficult to process 80% of them by 1 December 2022. It will also have an impact on INZ's resource allocation, which could result in under-recovery of costs.

INZ's processing capacity is based on an assumption that a high proportion of the SMC and RFW queue will be reduced by applicants transferring their applications to the new streamlined visa type (based on the expectation of quicker turnaround times), and reallocation of resources accordingly.² Any shortfall in processing will be met by redistribution of resources from other matters. The refund of fees and exemption from levies will help encourage applicants from the SMC/RFW queue to apply under the new category. In order to further incentivise them, when the policy first opens until 1 March 2022, it will be available only to these applicants. This will allow INZ to focus on processing these applications, allowing for very quick turnaround times (an average of three months).³

² Processing will be more streamlined than for current SMC visa types because there is no requirement to assess as many different factors. For example, an SMC application may require assessment of qualifications, skill level, the job offer, previous work experience, whether the role is located in or outside of Auckland and the partner's job offer and qualifications.

³ Currently INZ has about 13,500 skilled residence applications in process. These include applications under both the Skilled Migrant Category (SMC) and the Residence from Work (RFW) Category. At current rates, it would take INZ about 26 months to process all of these applications. It is likely that nearly all SMC/RFW applicants will qualify under the new category criteria.

It is not possible to simply assess the on-hand skilled residence applications against the new policy. This is because the Immigration Act requires that an application be processed against the criteria that were in place when that application was made. This means that people with an application currently in process will need to make a new application in order to be assessed against the new policy.

Estimated processing time is based on the criteria to be met by applicants, specifically whether they are on a valid eligible visa, health (with requirements streamlined compared to other residence visa application types), character (including a NZ Police vet and National Security check), time in New Zealand, whether earning above the median wage, and/or whether the role is on a “scarce” job list.

There will also be service delivery impacts for Police who vet residence applicants. New Zealand Police have indicated that by hiring 5 additional staff, they will also be able to process 80% of eligible applications within 12 months of the pathway opening. Each Police vet costs \$8.50. To enable Police to take on extra resources to ensure Police vets are carried out in a timely manner, it is proposed to pay the total forecast sum of \$1.4 m to Police in advance. This is a cost neutral transfer that de-risks service delivery of this initiative.

Longer term and broader implications on visa demand and INZ resourcing

The policy will also have longer term impacts on demand for temporary and resident visas, with corresponding impacts on revenue and resource requirements. This includes a likely reduced initial demand for employer accreditation and visas under the Accredited Employer Work Visa (AEWV) policy, which is scheduled to take effect mid-2022. These impacts will be addressed through implementation planning for the AEWV project.

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Reasonableness

Fees have been set on a cost recovery model, using timing estimates based on currently operational experience. Fixed costs have been distributed, and variable costs assigned based on the required effort to process each application. This ensures all costs have been appropriately accounted for to fund the Residence visa workstream for the duration.

The resultant fee and migrant levy are proportionate/comparable to existing residence visa fees. Appropriate consideration has been given to applicants who have already submitted an SMC or RfW application, to ensure they are not disadvantaged.

Consultation

There has been no public or stakeholder consultation with regard to the creation of a new residence category, as it is being established on the direction of the Cabinet, including with respect to the timing of opening and closing the category, the classes of people who will qualify, and the requirements they must meet.

There is no opportunity for consultation on the fee amount as the new residence category will not be announced until at least 1 October 2021 which does not provide sufficient time for consultation before the paper is considered by DEV on 29 September 2021. It is anticipated that stakeholders will accept that visa processing is funded through cost-recovery based fees

Offering existing SMC/RfW applicants a refund of their original fee application when they withdraw their application (either immediately, or on approval of their COVID-19 Resident visa) will and ensure they are not disadvantaged, and incentivise them to apply.

and levies. The amount of this fee and levy is set based on well-established cost recovery principles, and is proportionate to fees for similar visa types. We do not anticipate any significant concern from stakeholders about the level of the fee or levy.

Conclusions and recommendations

The proposed fee and levy for the new COVID-19 Resident visa is set at a level that is reasonable, and proportionate to other comparable resident visas. The financial analysis and forecasting of volumes are based on best available knowledge, with a conservative approach to likely uptake, in order to reduce risk to the financial position and INZ's service delivery.

Implementation plan

There will be a phased implementation of the new visa.

Applications will be open from 1 December 2021 through to 31 July 2022. To enable prioritised processing there will be two waves of applications:

- From 1 December 2021, the policy will be open to applicants with a skilled migrant application (SMC and Residence from Work) lodged, and from applicants with dependents 17 years or older who currently have an Expression of Interest for SMC submitted;
- From 1 March 2022, INZ will begin accepting applications from all other eligible applicants, including remaining applicants in the EOI pool.

This phasing will incentivise current SMC applicants to transfer to the more streamlined category, freeing up processing capacity. The ability for those with dependents aged 17 years or older to apply will resolve issues relating to access to tertiary education for dependent children in time for the start of the semester.

In addition to technical development, the implementation of the new Resident visa category will require communications, training, and change management activities.

Monitoring

INZ will establish operational reporting with respect to the volume of applications for the Resident visa application, including where there is a transfer from an existing SME or Work to Residence application. Operational reporting will show the number of applications being completed each day and the number of immigration officers working on them. This will show whether assumptions made about the average number of decisions each officer can make each day are holding true and therefore whether processes or resourcing needs adjusting.

INZ will also establish operational reporting with respect to overall timeframes, in order to monitor that the target of 80% of applications being processed within 12 months of the category opening is attainable.

Review

INZ has a three yearly cycle for review of immigration fees and levies. The short duration of this particular policy means that in this case, a review of this fee and levy is not relevant.