



COVERSHEET

Minister	Hon Michael Wood	Portfolio	Immigration
Title of Cabinet paper	Immigration Funding Review	Date to be published	18 August 2022

List of documents that have been proactively released		
Date	Title	Author
November 2021	Immigration Funding Review	Office of the Minister of Immigration
10 November 2021	Immigration Funding Review DEV-21-MIN-0221 Minute	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 reasons of confidential advice to Government and free and frank opinions.


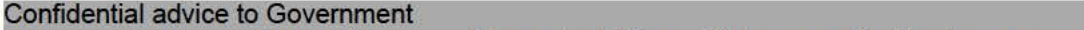

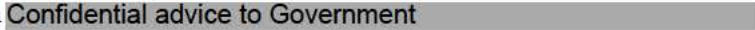


IN CONFIDENCE

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Office of the Minister of Immigration

Cabinet Economic Development Committee

Immigration Funding Review**Proposal**

- 1 This paper seeks Cabinet's agreement to the objectives, structure and scope of a comprehensive review of the immigration funding model. The review would 
Confidential advice to Government 
 improving overall sustainability, efficiency and effectiveness.
This work will inform Confidential advice to Government 



Relation to Government Priorities

- 2 This paper is consistent with the Government's objectives of accelerating the recovery and rebuild from the impacts of COVID-19, and prudent financial management.

Executive Summary

- 3 Immigration is a key lever to support the government's economic, social and humanitarian objectives. Immigration New Zealand (INZ) provides the core infrastructure and services for New Zealand's immigration system. It is an operational arm of the Ministry of Business, Innovation and Employment (MBIE).
- 4 Just over two-thirds of the cost of providing these functions is recovered from third parties through fees and levies charged for visa applications. The balance of this revenue and relevant spending is tracked over time in memorandum (memo) and hypothecation accounts. Fee and levy accounts have had negative balances since 2009/10 and 2017/18, respectively.
- 5 COVID-19-related border closures have contributed to significant deficits in the fee memo accounts and immigration levy hypothecation account, growing by up to \$170 million and \$20 million per annum, respectively. Visa application volumes are now only a third of pre-COVID levels, leading to a significant decrease in third-party revenues. However, spending has remained relatively constant due to: INZ's operating costs being relatively fixed in the short-term, the persistence of resource-intensive work from the usual flow of visa applications from existing onshore migrants, and additional work – where costs are largely not recoverable – associated with responding to COVID-19, including variations to the conditions of visa holders and processing border exceptions.
- 6 A key response from INZ was to close offshore offices that had previously processed visas that were no longer able to be applied for, and shift remaining processing onshore.

7 INZ has limited scope within its current operating model to reduce processing resources further without significantly increasing backlogs and waiting times. INZ has invested further into automation through its Advanced Digital Employer-led Processing and Targeting (ADEPT) programme which is rolling-out in phases, beginning with visitor visas in December 2021. Although some efficiencies will be realised in the short term, up to three-quarters of the expected benefits accrue from reduced processing costs for visitor visa applications, and significant volumes of these will not be received until borders reopen.

8 If no further action is taken, fee and levy deficits will continue.

9 Cabinet agreed to provide MBIE with capital injections from the COVID-19 Response and Recovery Fund (CRRF) of up to \$306 million across 2019/20 and 2020/21 and \$173 million in Budget 2021, to cover the COVID-19-related deficits starting from 29 February 2020. Cabinet also invited me to report back in mid-2021 on options for returning the immigration system to a sustainable financial position [CAB-21-MIN-0034 refers].

10 The New Zealand Customs Service (Customs) and the Ministry for Primary Industries (MPI) have conducted a standard review of their Border Processing Levy, to return their border passenger clearance funding to a sustainable position from 1 December 2021. I do not consider that a similar approach is appropriate for the immigration system. The persistence of negative balances in both fee and levy accounts suggests that structural changes to the funding model are required to ensure that the immigration system is sustainable, efficient and effective.

11 I am proposing to undertake a detailed review of the immigration funding model that will end in a reset of charges. The review will focus on exploring improvements to each of the following components of the system:

11.1 Confidential advice to Government
[Redacted]

11.2 Confidential advice to Government
[Redacted]

11.3 Confidential advice to Government
[Redacted]

12 These components are complex and interrelated, and need to take account of ongoing uncertainty from the global economic environment, the needs of current and future governments to flexibly adjust domestic policy settings (including the Reconnecting New Zealanders strategy), and the mitigation of any potential unintended consequences.

- 13 Confidential advice to Government [redacted]
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]
- 14 If Cabinet agrees to this review, officials will continue to provide regular quarterly updates through to myself and the Minister of Finance. It is anticipated that the review Confidential advice to Government [redacted] will produce initial policy options for Cabinet consideration by March 2022 with final policy decisions by September 2022. Confidential advice to Government [redacted]
[redacted]
[redacted]
- 15 Some improvements Confidential advice to Government [redacted] are unlikely to require Cabinet decisions and should be implemented through standard business decision making, including completing implementation of ADEPT.
- 16 Confidential advice to Government [redacted]
[redacted] I propose an interim adjustment to charges. This would aim to improve affordability to the Crown, limit the extent to which future payers are required to pay for past deficits, and signal this Government's intent to return the immigration system to as sustainable funding path. I will bring a paper with the proposed changes to Cabinet in early 2022.
- 17 Additional Crown funding is still likely to be required until visa volumes recover and revenue from fees and levies can appropriately recover costs. There is currently limited scope to reduce visa processing costs without worsening timeliness. I am seeking an invitation from the Minister of Finance to submit an initiative in Budget 2022 for a further capital injection, supported by options for operational efficiencies or cost-reducing measures with associated trade-offs.

Background

Immigration supports the government's economic, social, and humanitarian objectives

- 18 Immigration provides employers with access to international labour markets, and facilitates investors who bring capital and experience to support businesses to grow and scale. It enables the deepening of international connections, with benefits for both trade (including through knowledge of both markets) and technological and process innovations. Prior to COVID-19, it was key to the growth of services exports, particularly tourism and international education. It also enables families to be formed or reunite, and supports foreign policy, trade and development objectives (including in the Pacific) and humanitarian commitments.

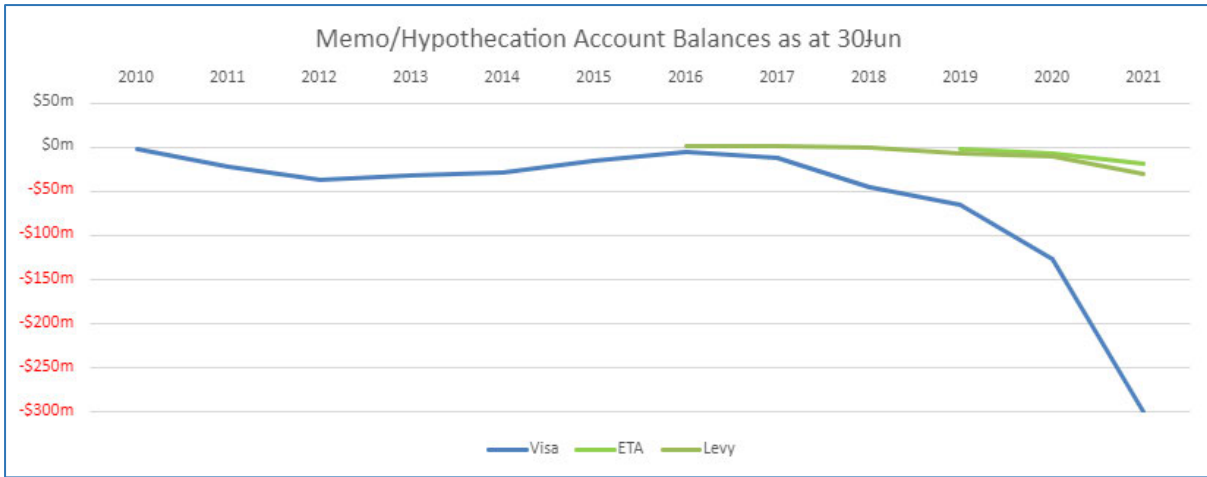
Immigration New Zealand (INZ) provides the core infrastructure and services for New Zealand's immigration system...

- 19 INZ is an operational arm of the Ministry of Business, Innovation and Employment (MBIE). It primarily manages spending of just under \$459 million in 2021/22 across four areas¹:
 - 19.1 Assessing and processing visas, including making decisions on the Electronic Travel Authority (ETA) and border exceptions (\$310 million)
 - 19.2 Maintaining the integrity and security of the immigration system (\$74 million)
 - 19.3 Attracting migrants and providing information and guidance to all system users (\$11 million)
 - 19.4 Settling and integrating refugees and other migrants (\$64 million)

... and recovers the majority of the cost from third parties through fees and levies.

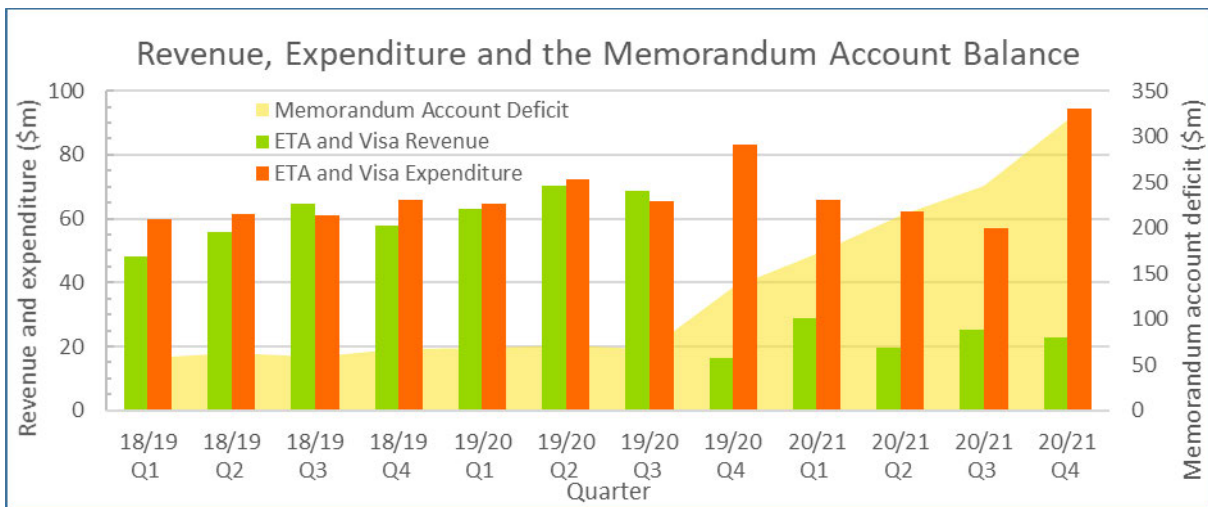
- 20 Third-party users of the immigration system are charged for visa applications that recoup costs, in exchange for the private benefit they receive from the system:
 - 20.1 **Fees** are intended to fund the costs attributable to assessing and processing visas, including the attributable share of overheads or other fixed costs. They are also charged for some non-visa products, such as the ETA and the accreditation of employers. These fees are paid directly to, and managed by, INZ.
 - 20.2 **The Immigration levy** is intended to part-fund the wider costs of operating an immigration system that cannot be directly attributed to individuals. This revenue is paid into a Crown bank account, and is then distributed out as Crown funding – primarily to INZ for integrity and security functions, but also to a wider group of agencies (including INZ) for migrant settlement activities. It can also contribute to the costs of running a system to license immigration advisers.
- 21 The Crown funds the remaining areas of the system that provide public benefit, particularly refugee settlement, but also to contribute to integrity and security functions.
- 22 The balance of this revenue and relevant spending is tracked over time in memorandum (memo) or hypothecation accounts, so that charges and spending can be adjusted in order to offset each other over the medium term.
- 23 In 2018/19 (the last year prior to COVID-19) the budgeted revenue mix across INZ's functions was 62 per cent fees, 7 per cent levy, and 31 per cent Crown. The visa and ETA fee and levy accounts have both been in negative balance since 2009/10, 2018/19, and 2017/18, respectively (see below).

¹ In addition to a share of MBIE's \$8.6 million spending on immigration policy advice and related services to ministers



Immigration system funding was significantly affected by the response to COVID-19

24 Border restrictions from February 2020 have led to visa volumes declining by 66 per cent and ETA volumes declining by 97 per cent.² Third-party revenues have fallen as a result, but spending – especially for assessment and processing services funded by fees – has not, contributing to a further deterioration of the memo account (see below).



25 The requirement for continued spending mainly reflects that:

25.1 **The visa processing workload has only fallen by approximately 25 per cent.** The workload that has stopped (primarily offshore visitor visas) was significantly less resource intensive to process than the flow of work that has remained in the system (particularly from onshore work and residence visas) and the immigration system has absorbed new work – the Henderson office (approximately 13% of the processing workforce) is now entirely dedicated to processing border exceptions (more than 40,000 in 2020/21).

² 2020/21 visa volumes relative to 2018/19; 2020/21 ETA volumes relative to 2019/20 – the first year that the ETA was in operation.

- 25.2 **INZ's operating costs are relatively fixed.** Around 80% of INZ's total operating spending in 2020/21 was made up of personnel, associated corporate overhead costs, and IT costs, which are difficult to reduce in the short-term.
- 26 In addition, there have been significant one-off costs in the final quarters of the last two years, of approximately \$12 million and \$30 million, respectively.³
- 27 A key response from INZ was to close offshore offices that had previously processed visas that were no longer able to be applied for, and shift remaining processing onshore. INZ has limited scope within its current operating model to reduce processing resources further without significantly increasing backlogs and waiting times.
- 28 INZ has invested further into automation through its Advanced Digital Employer-led Processing and Targeting (ADEPT) programme that is expected to roll-out in phases, beginning with visitor visas in December 2021. This is a key enabler of our Employer Assisted Work Visa reforms, and includes automation and improved decision-making tools to reduce processing times for low risk applications and shift resourcing towards work of higher risk or priority. There will be some efficiencies realised in the short-term, as the platform is being used to process the 2021 Residence Visa and Accredited Employer Work Visa. However, it will take some time for the benefits of ADEPT to be fully realised, as they primarily accrue from visitor visa applications that have been all but eliminated by COVID, and will likely be the last to recover.

Crown funding was provided to ensure that the system could continue to operate

- 29 Cabinet agreed to provide MBIE with capital injections from the COVID-19 Response and Recovery Fund (CRRF) of up to \$306m across 2019/20 and 2020/21 and \$173m in Budget 2021 to cover the COVID-related deficits starting from 29 February 2020, i.e. not to recover these from future users.
- 30 Cabinet also invited me to report back in mid-2021 on options for returning the immigration system to a sustainable financial position [CAB-21-MIN-0034 refers].

Case for Change

Structural changes to the funding model are required to ensure the system's sustainability

- 31 If no further action is taken, fee and levy deficits will continue to occur. Assuming volumes and operating costs remained at current levels, the annual deficit in fees and levies would be approximately \$170 million and \$20 million per annum, respectively. Further work is currently underway to better forecast possible visa volumes, costs and revenues over the next few years.
- 32 I do not consider that a standard review of fee and levy rates is appropriate for the immigration system. The consequences would include the risk of continuing deficits, and ongoing requirements for the public to subsidise the immigration system.

- 33 Although COVID-19 has had an unparalleled impact on immigration, it has exacerbated pre-existing challenges with the funding system. MBIE’s analysis of the strengths and challenges of the current funding model concludes that a first principles review is necessary to respond to these issues.
- 34 Fee and levy reviews in 2013, 2015 and 2018 were insufficient to correct a decade-long negative balance in the fee memo account. The 2013 review was largely responsible for improving the balance from -\$36.4 million in June 2012 to only -\$4.7 million in 30 June 2016. The balance since slipped down to -\$65.1 million by 30 June 2019, although the deficit for the year was almost half of the previous year.

Although the current model has a number of important strengths...

- 35 The strengths of the current system include:
 - 35.1 System costs are spread between taxpayers and users, based on where costs and benefits of services are attributed.
 - 35.2 The amount of spending authorised for assessing and processing visas can be increased quickly in anticipation of, or in response to, rising workloads.
 - 35.3 The use of a memo account to track surpluses and deficits promotes transparency around the appropriateness of the pricing and costing of services and enables price changes to be periodic, enhancing predictability for users.

... there are challenges with – Confidential advice to Government

- 36 The challenges associated with the current system include:
 - 36.1 **Revenue is variable but operating costs are mainly fixed.** Changes have been made to increase automation over time, enabling greater economies of scale when volumes are rising (such as in response to Chinese tourism in the years from 2010), but also increasing the impact of a significant reduction in volumes as the proportion of ongoing costs that are fixed – including depreciation and capital charge – has increased.
 - 36.2 **Signals from funding do not directly flow through to the management of costs.** The memorandum account rules enable spending in excess of revenue at a point in time, and provides for the option to meet this deficit by raising charges for future users of the immigration system, rather than by first reducing costs to an appropriate level.
 - 36.3 **Free and frank opinions**
 - [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]

Free and frank opinions

37 As charges have also been increased over time, the deficits emerging prior to COVID-19 (despite increased volumes and revenues) indicate that charges were insufficient to recover costs – which change with each new policy decision – and/or that cost increases have outpaced any efficiency gains from investment in system improvements and technology.

38 Overall, Free and frank opinions

Objectives and Structure

I am proposing to undertake a detailed review of the immigration funding model...

39 I propose that my review will have three objectives:

39.1 Supporting the efficient and effective provision of immigration services

39.2 Returning the immigration system to a sustainable financial position

39.3 Mitigating the interim shortfall created by COVID-19 until visa volumes stabilise.

... that begins with an interim adjustment to fee and levy rates...

40 As the outcomes of the review may not come into effect for several years, there is an opportunity for an interim increase to support the third objective of mitigating the interim shortfall created by COVID-19 until visa volumes stabilise. An increase would improve affordability to the Crown, limit the extent to which future payers are required to pay for past deficits, and signal this Government's intent to return the immigration system to as sustainable funding path.

... but focuses on ensuring the system is "fit-for-purpose"...

41 In support of the first two objectives, the review will explore opportunities to make improvements to:

Confidential advice to Government

42 In addition to implementing any relevant recommendations from the earlier stage, this final stage will provide Ministers with a range of options for returning the

immigration system to a sustainable funding position, given the desired system outcomes and associated trade-offs. Confidential advice to Government

[Redacted]

Confidential advice to Government

[Redacted]


... options to reallocate costs between third parties and the Crown...

- 45 The review will consider alternative allocations of costs, and the potential trade-offs between resilience to visa volume volatility (if the Crown bears more of the cost), and affordability to the Crown (if third parties bear more of the cost).
- 46 This will be informed by consideration of the public, club and private good characteristics of the different services provided, and activities undertaken, by INZ (i.e. private goods are generally fee-funded, club goods are levy-funded and public goods are taxpayer-funded).

Confidential advice to Government

[Redacted]

Confidential advice to Government




Confidential advice to Government



Options Outside of Scope

While the particular options for improving “fit-for-purpose” are not limited to those canvassed above, I am proposing that Cabinet agree some options are outside of scope

65 I have also considered, but do not recommend exploring, the following options:

- 65.1 **Establishment of new levies to recover the costs of immigration on broader infrastructure** (such as housing, healthcare and education) – there is limited evidence of unmet costs in this area, as policy settings select migrants who are less likely to impose costs (e.g. through health requirements) and are more likely to be net contributors to general taxation than the domestic population. 

⁵ see for example, Nana, G., Dixon, H., 2016, *Fiscal Impacts of Immigration in 2013*, BERL, <https://www.mbie.govt.nz/dmsdocument/4246-fiscal-impacts-of-immigration-in-2013-pdf>

Confidential advice to Government

In addition, there already exists an International Visitor Conservation and Tourism Levy (IVL) that contributes to addressing the wider costs imposed by international visitors.

- 65.2 **Using pricing as the primary lever for selecting migrants** – this lacks a clear evidence base and potentially involves some risks, and I further consider that adjustments to policy settings are a more sophisticated tool for selecting migrants than their ability to pay. The 2016 Australian Productivity Commission Review was asked to consider this option, but recommended against it in light of the adverse selection risks and because other approaches to pricing, such as “willingness to pay”, can achieve similar levels of revenue generation without those same risks.

Implementation

The funding review work would be progressed and implemented in a series of stages...

66 The stages for the review are:

- 66.1 **Stage 1:** Preparing detailed options to support decisions by Cabinet (followed by consultation and implementation) on an interim increase to fees and levies to limit the size of further deficits.

Confidential advice to Government

67 The intent of this staged transition towards funding sustainability is to take the time to better understand the future requirements for the efficient and effective operation of the immigration system, and options for better funding the system, while also taking opportunities to mitigate avoidable costs to the Crown in the near-term.

... and there is relatively more certainty about timing for the first stage

68 Although the detailed planning work across the stages has not yet been completed, the following table provides a summary of indicative timing over the next couple of years (see Annex Two for more detail).

Stage	Key dates
1: Interim increase to fees and levies	<ul style="list-style-type: none"> • Advice to the Minister of Immigration (followed by targeted consultation on proposals for an adjustment within the current cost recovery framework). (Dec - Feb 2021) • Proposals presented to Cabinet (Mar 2022) • New fee and levy rates apply (July-Sep 2022)

Confidential advice to Government

69 I am confident that the interim increase to charges could be implemented by mid-2022, Confidential advice to Government

70 MBIE will continue to provide the Minister of Finance and myself with quarterly updates on the progress of the Funding Review as it progresses.

An interim fee and levy adjustment is an important first step

71 I consider that a fee and levy adjustment from mid-2022 should involve changes that are simple to communicate and easy to justify within the current cost-recovery framework.

72 I intend to report to Cabinet with specific proposals for an interim adjustment by the end of March 2022. For illustration, the revenue replacement initiative in Budget 2021 estimated that an across-the-board increase in fee rates of 10 per cent would increase revenue by \$10 million per annum, based on the reduced 2020/21 visa volumes.

73

Additional Crown funding is still likely to be required in the interim

74 Interim Crown funding will be necessary for the 2022/23 year to cover the revenue shortfall and maintain timely visa processing. There is limited scope to reduce the level of visa processing resource without worsening timeliness. Although the current implementation of ADEPT is likely to realise some efficiencies for existing volumes

in the short-term, the enhancements are primarily about reducing the costs of visa applications that are tied to the reopening of the border.

75 I have submitted a request to the Minister of Finance for an invitation to the Budget 2022 process for a revenue shortfall bid for the 2022/23 year that:

75.1 Accounts for updated volume forecasts and policy decisions

75.2 Provides options for operational efficiencies or cost-cutting measures with associated trade-offs; and

75.3 Presents different trade-offs between the level of immigration workforce resourcing, visa processing times and service delivery for a range of visa volume forecasts.

76 Further funding is likely to be required for future years, until visa volumes recover and revenue from fees and levies can appropriately recover costs. For this reason, I have requested that a review of the visa processing operating model be incorporated into the immigration funding review to provide confidence that these services are efficient.

Risks

There are risks associated with the interaction with other border and policy changes...

Interaction with other changes to border charges

77 All border agencies have been impacted by the fall in third party revenue brought about by COVID-19. Confidential advice to Government

Cabinet has agreed to resume full cost recovery of Customs' and MPI's border processing services [DEV-21-MIN-0185]. Confidential advice to Government

78 This creates a risk that the cumulative impact of increases to charges could place significant burden on payers. I consider that this risk is best mitigated through clear assessment of proposals in reference to the totality of changes being made to border charges, through open consultation amongst border agencies, and through the governance processes of the Border Executive Board.

Interaction with the immigration policy changes

79 Ultimately, the context for reviewing the immigration funding model is determined by the policy settings that the system seeks to operationalise.

80 The outcomes of significant policy changes, such as the Immigration Rebalance, Reconnecting New Zealanders strategy, and the 2021 Residence Visa, will be taken into account by this review, including through the expected impacts on visa volumes and INZ costs and resourcing.

Financial Implications

- 81 This paper does not present proposals with direct financial implications. A key objective of this review is to return the immigration system to a sustainable financial position, which is no longer reliant on either temporary or permanent Crown capital injections. Each stage of the review is expected to contribute to this objective.
- 82 However, MBIE will continue to require Crown support in the short term as the funding reviews progress and before any new fee and levy rates take effect. This funding will be sought through the Budget process.

Legislative Implications

- 83 There are no immediate legislative implications.
- 84 Implementation of particular proposals at later stages of the review will require regulatory change (fee and levy rates are gazetted in the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010). Confidential advice to Government

Impact Analysis

Regulatory Impact Statement

- 85 There are no regulatory proposals in this paper, and Cabinet's Impact Analysis requirements do not apply at this stage. MBIE will engage with Treasury's Regulatory Impact Analysis team to confirm RIA requirements (including the preparation of a Cost Recovery Impact Statement) to support the proposed interim fee and levy adjustment in the next report-back to Cabinet.

Climate Implications of Policy Assessment

- 86 There are no specific climate implications.

Population Implications

- 87 Later proposals, including the interim increase to fees and levies, may have implications for the cost of visas charged to citizens of Pacific countries, which may in turn impact on Pacific communities in New Zealand. Similarly, changes to visa costs are likely to fall more heavily on other ethnic communities in New Zealand with close ties to families offshore than on communities whose family relationships are concentrated in New Zealand and Australia, and particularly on recent refugees. These groups are also likely to be more responsive to price increases. These implications will be considered as part of the assessment of proposals.

Human Rights

- 88 The proposals in this paper are not specific enough to test for consistency with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993. These implications will be considered when policy proposals are further progressed.

Consultation

89 This paper has been prepared by MBIE. The following agencies were consulted on this paper and their views taken into account during its development: NZ Customs Service, the Ministry of Education, the Ministry of Foreign Affairs and Trade, the Ministry for Pacific Peoples, the Ministry of Primary Industries, the Ministry of Transport, and the Treasury. The Department of the Prime Minister and Cabinet was informed.

Communications

90 Future proposals will require consultation, and a communications plan will be prepared ahead of seeking Cabinet agreement to consultation.

Proactive Release

91 The responsible Minister intends to delay the release of the Cabinet paper release beyond 30 business days. This will be reconsidered ahead of public consultation.

Recommendations

The Minister of Immigration recommends that the Committee:

Rationale for a review of immigration funding

- 1 **note** that Immigration system has, until recently, been predominantly third-party funded in accordance with established cost recovery principles, with variances between forecast and actual revenue and expenditure managed through memorandum (or hypothecation) accounts;
- 2 **note** that border closures and travel restrictions have lowered visa volumes and revenues, and that in the short-term the Ministry of Business, Innovation and Employment (MBIE) has had limited scope to reduce costs, leading to significant and growing deficits in the visa fee memo account and immigration levy hypothecation account;
- 3 **note** that, in April 2020, Cabinet:
 - 3.1 agreed to provide funding support to enable MBIE to continue to operate, and extended this support through Budget 2021 until 30 June 2022; and
 - 3.2 invited the Minister of Immigration to report back in mid-2021 on a review of the immigration funding model that would provide options for returning the system to a sustainable financial position [CAB-21-MIN-0034];
- 4 **note** that COVID-19 has highlighted challenges with the immigration system funding model that have contributed to an enduring deficit in the immigration fees memorandum account since 2009/10, despite significant adjustments to fee rates through previous fee and levy reviews;
- 5 **agree** that a detailed review of the immigration system funding model is the appropriate response to enable a return to financial self-sustainability;

Objective, structure and scope of the review

6 **agree** that the objectives of the immigration funding review are to:

- 6.1 support the sustainable funding of immigration services;
- 6.2 enable the effective, efficient and sustainable provision of immigration services; and
- 6.3 mitigate the material funding shortfall created by COVID-19 until visa volumes stabilise;

7 **agree** that the review be undertaken in three stages:

8 Stage 1: Preparing options on an interim adjustment to fees and levies and reporting back to Cabinet by the end of March 2022;

9 Confidential advice to Government
[Redacted]

10 Confidential advice to Government
[Redacted]

11 **note** that further detailed planning is underway to improve certainty of timeframes;

Confidential advice to Government
[Redacted]

12 **agree** that the review of the funding model will explore Confidential advice to Government
[Redacted]

Confidential advice to Government
[Redacted]

13 Confidential advice to Government
[Redacted]

14 Confidential advice to Government
[Redacted]

Interim fee and levy adjustment within cost recovery settings

- 15 **note** that although at this stage, with limited volumes, an interim fee and levy increase cannot return the immigration system to a sustainable funding path, it would offset some of the funding shortfall for the 2022/23 year and beyond;
- 16 **note** that every 10 per cent increase in fees is estimated to increase fee revenue by approximately \$10 million per annum;
- 17 **agree** that a proposal for an interim, fee and levy adjustment be developed and that targeted consultation can take place on any adjustments proposed within existing cost recovery settings;
- 18 **invite** the Minister of Immigration to report back to Cabinet by March 2022 on an interim fee and levy adjustment;

Budget 2022

- 19 **note** that additional capital injections will be required to cover the revenue shortfall in 2022/23, Confidential advice to Government
- 20 **note** that the Minister of Immigration has requested an invitation from the Minister of Finance to submit a revenue shortfall bid for the 2022/23 year in Budget 2022 that:
 - 20.1 accounts for updated volume forecasts and policy decisions
 - 20.2 provides options for operational efficiencies or cost-reducing measures with associated trade-offs; and
 - 20.3 presents different trade-offs between the level of immigration workforce resourcing, visa processing times and service delivery for a range of visa volume forecasts.

Authorised for lodgement

Hon Kris Faafoi
Minister of Immigration

Annex One: International comparison of immigration charges

The following table provides an approximate comparison of visa charges for key visas between New Zealand and comparable countries (charges in New Zealand dollars as at 12 October 2021):

	New Zealand	Australia	Canada	United Kingdom
Temporary				
Visitor	190 + 21 immigration levy + 35 international visitor conservation and tourism levy	155	115	185 – 710 for 6 months – 2 years 1,280 – 1,610 for 5 – 10 years
Student	250 + 25 immigration levy + 35 international visitor conservation and tourism levy	670	175	680 + 1,050 student sponsor licence + 920 National Health Service (NHS) levy per year
Partnership	580 + 55 immigration levy	8,320 (combined temporary and permanent visa fee)	1,210	2,980 + 1,225 NHS levy per year
Temporary work	500 + 55 immigration levy + 570 job check (paid by employers) + 690 standard accreditation fee (paid by employers for each period of accreditation)	1,365 – 4,355 (depending on duration and stream) + 445 approved sponsor fee + 350 – 570 nomination fee for some applications (paid by sponsors)	180	1,195 – 2,390 (depending on duration) OR 910 – 1,820 for shortage occupations OR 455 – 910 for health care occupations + 1,225 NHS levy per year (except healthcare worker) + 1,050 – 2,890 in work sponsor fees (paid by employers)

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	New Zealand	Australia	Canada	United Kingdom
Working Holiday	190 + 55 levy + 35 international visitor conservation and tourism levy	525	175 + 115 open work permit	480 + 920 NHS levy per year
Residence				
Skilled Migrant	1880 + 530 EOI fee + 830 immigration levy	4,360	1,530	7,065 +6,120 NHS levy (5 years)
Family (Partner)	1,070 + 410 immigration levy	8,320 (combined temporary and permanent visa fee)	1,210	9,345
Family (Parent)	1,070 for parent category + 380 EOI fee + 410 immigration levy <i>OR</i> 3,310 for parent retirement category + 410 immigration levy and \$1 million investment (and other asset / income requirements)	4,685 <i>OR</i> 50,905 for contributory parent visa (which is processed faster – currently five years, four months)	1,210	-

Note:

- This comparison does not include any border clearance charges, such as:
 - the \$NZD 64 passenger movement charge on persons departing **Australia**
 - the \$NZD 17 and \$NZD 3 arrival and departure levies, respectively, in **New Zealand**
- All fees and levies are converted into \$NZD.
- Figures are rounded to the nearest \$NZD 5.
- NHS levies are applied per year that the visa is applied for unless otherwise stated.

Annex Two: Draft Timeline

	Oct - Dec 2021	Jan - Mar 2022	Apr - Jun 2022	Jul - Sep 2022	Oct - Dec 2022	Jan - Mar 2023	Apr - Jun 2023	Jul - Sep 2023	Oct - Dec 2023	Jan - Mar 2024	Apr - Jun 2024	Jul - Sep 2024
Interim increase to fees and levies	<ul style="list-style-type: none"> Advice to the Minister of Immigration followed by targeted consultation on changes within existing cost recovery framework 	<ul style="list-style-type: none"> Advice to Cabinet 		<ul style="list-style-type: none"> Updated fee and levy rates take effect 				Election period				
Review fit-for-purpose of charging, fiscal management and operating model	<ul style="list-style-type: none"> Detailed planning and scoping of work to be undertaken 	Confidential advice to Government										
Confidential advice to Government												
Intended progress by each Budget	Budget 2022: Crown funding sought for revenue shortfall reflects: - updated volume forecasts and policy decisions - revised revenue figures, including interim fee and levy rates - options for operational efficiencies or cost-cutting measures within the current operating model, with associated trade-offs - different trade-offs between the level of immigration workforce resourcing, visa processing times and service delivery for a range of visa volume forecasts.			Budget 2023: Confidential advice to Government				Budget 2024: Crown funding sought for revenue shortfall reflects: - revised volume forecasts - transitioning to sustainable funding path				
Other reviews of border charges	(Agreed) Border Processing Levy increasing from 1 December 21					Confidential advice to Government						