MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Michael Wood	Portfolio	Immigration
Title of Cabinet paper	2022 Immigration Fee and Levy Review	**Date to be published**	18 August 2022

List of documents that have been proactively released		
Date	**Title**	**Author**
22 March 2022	2122-3136 Immigration Fee and Levy Review – Final policy decisions and draft Cabinet paper	Ministry of Business, Innovation and Employment
15 February 2022	2122-2522 Interim Immigration Fee and Levy Review – Draft consultation document	Ministry of Business, Innovation and Employment
15 December 2021	2122-1962 2022 Interim immigration fee and levy review – initial proposals	Ministry of Business, Innovation and Employment

Information redacted **YES**

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.

Document 7

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

Interim immigration fee and levy review: Draft consultation document

Date:	15 February 2022	**Priority:**	High
Security classification:	In Confidence	**Tracking number:**	2122-2522

Action sought		
	Action sought	**Deadline**
Hon Kris Faafoi **Minister of Immigration**	**Agree** to consult your colleagues on proposed new immigration fee and levy rates prior to targeted consultation with selected stakeholders.	18 February 2022
	Sign and send the attached letter and draft consultation document to: the Minister of Finance (Hon Grant Robertson); the Minister of Education (Hon Chris Hipkins); the Minister of Foreign Affairs (Hon Nanaia Mahuta); the Minister of Agriculture (Hon Damien O'Connor); the Minister for Economic and Regional Development and of Tourism (Hon Stuart Nash); the Minister of Transport (Hon Michael Wood) and the Minister of Customs (Hon Meka Whaitiri).	

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Kirsty Hutchison	Manager, Immigration (Border and Funding) Policy	Privacy of natural persons	✓
Richard Baird	Senior Policy Advisor, Immigration (Border and Funding) Policy		

The following departments/agencies have been consulted

Minister's office to complete:

☐ Approved ☐ Declined
☐ Noted ☐ Needs change
☐ Seen ☐ Overtaken by Events
☐ See Minister's Notes ☐ Withdrawn

Comments

BRIEFING

Interim immigration fee and levy review: draft consultation document

Date:	15 February 2022	**Priority:**	High
Security classification:	In Confidence	**Tracking number:**	2122-2522

Purpose

This paper seeks your agreement to consult your ministerial colleagues on proposed new immigration fee and levy rates.

Executive summary

This paper provides a draft consultation document setting out proposed increases to immigration fee and levy rates.

The consultation document highlights the following points:

- COVID-19 has had a significant impact on the financial stability of the immigration system: revenue from visa applications fell steeply while new complex work emerged, such as administering border exceptions.
- The Government has injected cash into the immigration system to maintain services but this is not fiscally sustainable on an ongoing basis, unless cuts are made to other spending priorities, and it is reasonable that those who benefit from immigration services should pay for them.
- The review seeks to ensure (as far as is practicable) that users of immigration services pay their fair share of the costs. Confidential advice to Government [redacted]
- The proposals, if implemented, would result in significant "across the board" increases across most visa categories. We also structured the increases to ensure that the new fee and levy rates remain within the range of comparable countries e.g. Australia, Canada and the UK. To achieve this, the proposals cap prices of visitor and skilled migrant category visas.
- The review is taking place in the context of significant uncertainty. Future immigration revenue is dependent on the response of travellers to border reopening. Future immigration costs depend on changes to the visa operating model, including the ongoing role of border exceptions, and scope for greater automation. The proposals are necessarily based on assumptions that may prove to be different to the future that is realised

Cabinet has agreed that you consult with the Minister of Finance and other relevant Ministers prior to commencing consultation on the proposals with selected stakeholders. We have prepared a draft cover letter (Annex Two) for you to send with the draft consultation document (Annex Three) to your ministerial colleagues, noting your intention to commence consultation and seeking their feedback, if any.

The proposals in the consultation document (**Option One** in this briefing) are intended to close half of the projected fee and levy revenue gap by 2023/24, and to fully recover the pre-COVID and partially recover the projected 2021/22 COVID-related deficits in the visa and fee memorandum account. The proposed caps would amount to a subsidy with a two-year cost of approximately $48 million.

We do not expect that stakeholders will view these proposals favourably, but it is important to socialise that an increase in the price of visas is necessary to maintain the capability of the immigration system.

Should your ministerial colleagues raise concerns about the size of the proposed price increases, we have developed an alternative (**Option Two**) based on the Crown writing off the residual pre-COVID and 2021/22 COVID-related deficits in the visa and eTA fee memorandum accounts.

However, while you and the Minister of Finance have delegated authority from Cabinet to write off the COVID-related portion of the deficits, you would need Cabinet approval to write off the pre-COVID related deficits. For this reason, we recommend that you proceed to consult on the basis of Option One and retain Option Two as an alternative for when you report back to Cabinet with recommended fee and levy changes following consultation.

Recommendations

MBIE recommends that you:

a **Note** that on 15 December 2021, MBIE briefed you on the outcome of the interim review of immigration fee and levy rates and recommended that you consult your ministerial colleagues on a set of proposals intended to (as far as practicable):

i. move towards a more sustainable funding model by recovering a larger share of immigration system costs through the levy (thereby changing the mix of fee, levy and Crown funding)

ii. halve the gap between third party revenue and costs, based on the 2023/24 year

iii. recover the accumulated deficits in the fee and levy memorandum accounts [MBIE 2122-1962 refers]

Noted

b **Note** that the fee and levy rates in the December paper were based on "across the board" adjustments and we proposed to report back with targeted price adjustments informed by a new "cost to serve" model for the immigration system and updated visa volume forecasts

Noted

c **Note** that as work to validate the "cost to serve" model and update the visa volume forecasts is ongoing, MBIE recommends proceeding with "across the board" adjustments to fee and levy rates but with caps on the prices of selected visa categories (namely visitor and skilled migrant visas) to stay within the range of prices charged by comparable countries

Noted

d **Note** that the forgone revenue from caps to the Visitor and Skilled Migrant visas, if treated as an explicit subsidy from the Crown, is estimated to cost approximately $40 million and $8 million over 2 years, respectively

Noted

e **Note** that the table below presents the price implications for the main visa categories of two options for interim fee and levy adjustments, with the difference between them being that Option 2 does not include an additional charge to recover the historical deficits in the electronic travel authority and visa fee memorandum accounts (both options have price caps for Visitor and Skilled Migrant visas):

Key Visa Products	Fee + Levy + IVL ($)		
	Current	OPTION 1	OPTION 2
eTA (visitor)	45	60	55
Visitor	245	245	245
Working Holiday	280	535	485
Student	275	455	385
RSE	325	495	410
Post-study work	495	845	725
AEWV (migrant check)	595	780	780
Partnership - Work	635	1040	880
Partnership - Resident	1480	3255	2965
Skilled Migrant - Resident	3240	5000	5000
Entrepreneur	4140	8165	7270
Investor Migrant	5070	9450	8305

Noted

f **Note** that MBIE has prepared a draft consultation document (Annex Three) on the basis of Option 1 as the prices better reflect the full cost of services provided to users of the immigration system, but subject to feedback from your ministerial colleagues and consultation with stakeholders, you may wish to seek Cabinet approval for Option 2

Noted

g **Note** that Cabinet invited you to consult with the Minister of Finance and Border Ministers prior to commencing targeted consultation [CAB-21-MIN-0467 refers] and MBIE has prepared a cover letter attached to this briefing (Annex Two) for you to send with the draft consultation document

Noted

h **Agree** to sign and send the attached letter (Annex Two) and draft consultation document (Annex Three) to the Ministers of Finance, Education, Foreign Affairs, Agriculture, Tourism, Transport and Customs, inviting their feedback on the proposed new fee and levy rates prior to targeted consultation with selected stakeholders

Agree / Disagree / Discuss

Privacy of natural persons

Kirsty Hutchison
Manager, Immigration (Border and Funding) Policy
Labour, Science and Enterprise, MBIE

15/02/2022

Hon Kris Faafoi
Minister of Immigration

..... / ...... / ......

Background

1. On 15 December 2021 we provided you with an initial package of proposed changes to immigration fees and levies intended to (as far as reasonably practicable):

   - move towards a more sustainable method of cost recovery by changing the balance between fee, levy and Crown funding
   - halve the gap between third party revenue and costs, based on the 2023/24 year
   - partially recover the accumulated deficits in the fee and levy memorandum accounts [MBIE 2122-1962 refers]

2. You directed MBIE to prepare a draft consultation document based on the proposals in the December briefing.

It is reasonable that those who benefit from immigration services should pay for them …

We have explored targeted adjustments based on the extent of under-recovery of costs …

3. The initial proposals in the December briefing were based on proportional, across-the-board increases to most fee and levy rates, thereby retaining the current relativities between products.[1] We noted in that briefing that we intended to report back with modified proposals taking account of updated visa and electronic travel authority (eTA) volume forecasts, and to target adjustments to fee and levy rates according to the extent of under-recovery of costs.

4. While "across the board adjustments" may be an appropriate way to recover immigration system costs through the levy, it does not enable fee rates to reflect the actual underlying costs of providing services that confer benefits to individuals.

5. To address this, we commissioned a cost model from PwC that draws on visa volume assumptions, workforce modelling and immigration cost data to estimate the cost-to-serve of each product. Confidential advice to Government [redacted]

6. However, the model has not been sufficiently tested to ensure that it can provide reliable estimates of costs for each visa product to inform the interim review. We will continue to test and improve the model Confidential advice to Government [redacted]

7. We have also made a number of other minor changes to the modelling behind the initial proposals in the December briefing, that have led to a marginal reduction in the proposed fee and levy rates.[2] Further updates to visa volumes are possible prior to final Cabinet decisions.

[1] The Accredited Employer Work Visa is only affected by changes to levy rates, as Cabinet's recent decisions on fee rates are unchanged.

[2] These changes include: updating the adjustment to the fee and levy mix, reducing the shift from the Crown to the Levy by 3 percentage points; and revising volume assumptions for particular visas to better reflect where demand is expected to return to pre-COVID levels, and where *Reconnecting New Zealanders* announcements have provided further clarity.

… whilst staying in the range of prices charges by comparable countries

an alternative approach is to cap the prices of selected visa categories …

8. The December paper presented a broad-brush comparison of the relative visa prices between comparable countries, namely Australia, Canada and the UK. This is reproduced in Annex One. This shows that the initial proposals were generally within the range of these other jurisdictions, except for:

   - Visitor visas (non visa-waiver countries) – 100% higher than the United Kingdom and 152% higher than Australia
   - Recognised Seasonal Employer – 46% higher than Australia
   - Skilled Migrant – 56% higher than Australia
   - Entrepreneur visa – 84% higher than Australia

9. It is desirable that the prices of our main visa categories stay within the range of comparable jurisdictions – especially Australia, as the closest comparable destination in the southern hemisphere. It is uncertain to what degree high prices will affect demand, but setting visa prices too high relative to other countries could deter people coming to New Zealand.

10. In light of this, we consider that there is strong case for capping the price of Visitor visas at the current price of $245, namely that:

    - Preliminary results from the cost model suggest that the current price of Visitor visas may be over-recovering costs
    - The cost of Visitor visas should reduce further as visa processing of this category is increasingly automated through ADEPT
    - The current price is comparatively more expensive than other jurisdictions, particularly Australia, and international visitors on short-term stays are likely to be highly price-sensitive, especially where comparable tourist destinations (e.g. Australia) are comparatively cheaper
    - Any changes to the price of Visitor visas should consider the recovery of the tourism industry following reopening of the border, Confidential advice to Government [redacted]

11. We consider that there is also a relatively strong case for capping the price of Skilled Migrant visa at $5000, namely that:

    - The proposed prices under options 1 or 2, although roughly comparable with the United Kingdom, are significantly out of step with our closest southern hemisphere comparator (Australia).
    - Although residence applicants (especially those applying onshore) are likely to be less price sensitive than applicants of more temporary visas, the Skilled Migrant visa makes up the majority of pathways to skilled residence, and therefore is a key driver of whether the immigration system achieves its goals of improving the overall skill level of the labour force. This could be compromised if we are significantly out of step with Australia.

12. We do not consider there to be a similarly strong case for capping the prices of the other two outliers:

- **Entrepreneur visa** – although its price would be significantly out of step with other jurisdictions, it applies to a small group of fewer than 200 applicants each year – who are seeking to gain residence and therefore more likely to be less sensitive to price increases than applicants for other categories.

- **Recognised Seasonal Employer** – although the price of this visa category is out of step with our closest southern hemisphere comparator (Australia), capping this fee rate would confer a significant subsidy to the viticulture and horticulture sectors that appear to have fared reasonably well throughout COVID.

13. The forgone revenue from caps to the visitor and Skilled Migrant visas, if treated as an explicit subsidy from the Crown, is estimated to cost approximately $40 million and $8 million over 2 years, respectively.

14. A summary of the current and proposed rates for the main visa categories (incorporating caps on visitor and Skilled Migrant category visas) is presented in the table below:

	Fee + Levy + IVL ($)[3]	
Key Visa Products	**Current**	**OPTION 1 (with caps)**
eTA (visitor)	45	60
Visitor	245	245
Working Holiday	280	535
Student	275	455
RSE	325	495
Post-study work	495	845
AEWV (migrant check)	595	780
Partnership - Work	635	1040
Partnership - Resident	1480	3255
Skilled Migrant - Resident	3240	5000
Entrepreneur	4140	8165
Investor Migrant	5070	9450

If you consider these prices still look too high, there is an option to pare them back further by writing off the total historical deficits

15. As noted above, Option 1 provides for the full recovery of the remaining pre-COVID fee deficits (approximately $44 million) and partial recovery of the COVID-related fee deficits (approximately $22 million out of an estimated $120 million) over two years.

16. This is primarily justified on the basis that:

- The Crown has contributed more than $260 million to cover COVID-related deficits to June 2021, and it is proposed that the Crown would cover more than 80 percent of the COVID-related deficits in 2021/22 as well

- The Immigration Act provides for deficit recovery by allowing for some forms of grouping and averaging of costs, as well as taking account of some costs of services that are not directly provided to the payer of those fees, and

- There is precedent for doing so, for example the 2018 Immigration Fees and Levies review

[3] The fee rates assume

17. However, arguments could be mounted in favour of the Crown "drawing a line in the sand" by writing-off deficits to the end of June 2022:

a. In general:

i. Deficit recovery is in addition to halving the revenue gap, and therefore exacerbates the risk that proposed prices get out of step with comparable jurisdictions

ii. If the deficit recovery over two years is included in ongoing fee rates, this could limit the ability to achieve smooth adjustments in prices should visa volumes or expenditures become more favourable than assumed. This could result in unnecessarily deterring potential migrants that we want to come to New Zealand

b. Regarding COVID-related deficits:

i. These are predominantly due to the border closure as a public health response to COVID, and therefore could be considered a public good that should be covered by taxpayers

ii. A capital injection has already been provided for the COVID-related fee deficits, and there would be no additional fiscal impact associated with writing off this amount

c. Regarding pre-COVID deficits:

i. The recovery of pre-COVID deficits from users who would have benefited from past under-recovery has been largely achieved already through the inclusion of deficit recovery in the fee rates set for the 2021 Resident Visa and Accredited Employer Work Visa

ii. There is precedent for writing off pre-COVID deficits, as Cabinet agreed in February 2021 that the pre-COVID deficits for Customs and MPI border services be written off [DEV-21-MIN-0011 refers].

18. The impact of fully writing off these historical deficits on the prices for the main visa categories is illustrated in the table below:

	Fee + Levy + IVL ($)		
Key Visa Products	**Current**	**OPTION 1 (with caps)**	**OPTION 2 (with caps and full deficit write off)**
eTA (visitor)	45	60	55
Visitor	245	245	245
Working Holiday	280	535	485
Student	275	455	385
RSE	325	495	410
Post-study work	495	845	725
AEWV (migrant check)	595	780	780
Partnership - Work	635	1040	880
Partnership - Resident	1480	3255	2965
Skilled Migrant - Resident	3240	5000	5000
Entrepreneur	4140	8165	7270
Investor Migrant	5070	9450	8305

19. While you have delegated authority (with the Minister of Finance) to decide whether COVID-related deficits incurred in 2021/22 should be written off, further authority from Cabinet would be required before writing off the pre-COVID deficits. For this reason, we recommend that you proceed to consult on the basis of Option 1 above and, subject to feedback from your colleagues and selected stakeholders, retain Option 2 as an option when you report back to Cabinet with final proposals.

… Other border agencies are also increasing charges as they return to full cost recovery

20. Most government border charges are due to increase over the next 1-4 years as border services aim to return to cost recovery. Some of the key recent and proposed changes are outlined below:

Sector	Charge	Old/Current rate	New/Proposed rate	% increase
Customs/Primary Industries	Border processing levies (non-cruise, combined arrival and departure) *(new rates took effect from 1 December 2021[4])*	$20.11	$43.73	117%
Confidential advice to Government [redacted]				
Transport	Civil Aviation Authority Passenger Levy (International)	$1.60	$2.40	50%
Transport	Aviation Security Levy	$12.59	$20.00	59%

Note: other increases that affect domestic passengers and cruise passengers are not shown here

21. Increases to levies that fund the Civil Aviation Authority and Aviation Security are still to be confirmed, as these would require a funding review and further support through Budget 2022.

Confidential advice to Government

[redacted]

… and travel costs have generally increased as a result of COVID-19

23. Those travelling to New Zealand face new costs that did not exist prior to COVID-19. For example, pre-departure testing will continue to be required for entry into New Zealand (approximately $120 to $180 per person (NZD)). Isolation requirements may also increase costs for travellers not previously based in New Zealand, as well as making New Zealand a less attractive destination.

24. Whether airfare costs will increase, and to what extent, remains uncertain over the medium-term. Although global air travel is gradually recovering, rising jet fuel prices are putting

[4] Changes to border processing levies were implemented on 1 December 2021, to reflect additional costs such as more COVID-19-related border checks, as well as the fact that fixed costs are now funded by fewer travellers than before COVID-19.

pressure on airlines' costs.[5] It remains expensive for airlines to maintain capacity and connectivity to New Zealand, so there is a significant risk that airfares will increase depending on the aviation sector's response to *Reconnecting New Zealanders*.

We have prepared a draft slide-pack to support targeted consultation…

25. A draft consultation document is attached as **Annex Three**. The slides cover the background to the review, the key objectives we are trying to address, and the increases to fees and levies proposed with price caps for Visitor and Skilled Migrant visas.

26. We plan to consult with representatives of those most likely to be affected by the changes. We will confirm the list of stakeholders with your office prior to consultation.

27. We do not expect stakeholders to react favourably to the proposed increases to immigration fees and levies but it is important to socialise the rationale for the changes and to test our assumptions about expected impacts.

28. Stakeholders are likely to be concerned about the cumulative impact of increasing travel costs (other border charges, air travel, pre-departure testing, and isolation and quarantine requirements). This would align with the public submissions on the recent increases to border processing levies, where Customs and the Ministry for Primary Industries received feedback from stakeholders that the Crown should continue to fund deficits to avoid the risk of levy increases harming the recovery.

29. Stakeholders are also likely to draw attention to the significant uncertainty that characterises the context for this review. Future immigration revenue is dependent on the response of travellers to border reopening. Future immigration costs depend on changes to the visa operating model (including the discontinuity of COVID-19-related work, and greater automation). The review has necessarily required us to make assumptions on these matters that may prove to be different to the future that is realised.

… following approval from the Minister of Finance and relevant Ministers

30. Cabinet's approval to targeted consultation was also conditional on support for the proposals from the Minister of Finance and Border Ministers [CAB-21-MIN-0467 refers].

31. The Minister of Finance indicated through his feedback on the December briefing that he supported the shift to a more sustainable funding system and acknowledged that the fee increases needed were significant. He also indicated that the work should proceed on the timeframes indicated in the paper if possible.

32. We recommend that you circulate the draft consultation slide-pack to the Minister of Finance and relevant Ministers (Education, Foreign Affairs, Agriculture, Tourism, Transport and Customs), noting your intention to consult on the proposals and inviting any feedback by Friday 25 February.

Next steps

33. The following timeline reflects our intended timing for completing the interim review.

[5] International Air Transport Association, Airlines Financial Monitor December 2021 - January 2022, available at: https://www.iata.org/en/iata-repository/publications/economic-reports/airlines-financial-monitor-december-2021---january-2022/

Date	Deliverable
Late Feb	Ministerial consultation
Late Feb - Early March	Targeted consultation with stakeholders
22 March	Draft Cabinet paper provided to you, with summary of stakeholder feedback and final proposals
31 March	Lodgement date for Cabinet paper for DEV on 6 April
6 April	Consideration by DEV
11 April	Consideration by Cabinet (followed by Budget Moratorium)
5 May	Lodgement date for LEG paper
12 May	Consideration by LEG
16 May	Consideration by Cabinet
Late May	Notified in Gazette
1 July	New rates take effect

34. The window of time for consultation and Cabinet authorisation ahead of Budget moratorium is particularly tight. We have explored alternative timelines given the possibility that Cabinet does not authorise the changes ahead of Budget moratorium. There is a risk that implementation is delayed by approximately one month at most.

35. We undertook in December to provide you with further advice on the subsidisation of Pacific/Humanitarian visas. We will provide you with further advice on this issue prior to final Cabinet decisions.

36. Officials are available to discuss the proposals in this briefing and the proposed consultation process.

Annexes

Annex One: Summary of interim review options and comparison to other jurisdictions

Annex Two: Draft consultation slide-pack stakeholders to consult

Annex Three: Draft cover letter to enable consultation with your ministerial colleagues

Annex One: Summary of interim review options and comparison to other jurisdictions

Key Visa Products	2018/19 volumes	Projected 2023/24 volumes	Proposed fee + levy (incl IVL): Current price (fee + levy + IVL)	OPTION 1 (December proposals)	OPTION 2 (Option 1, but with full deficit write-offs)	Possible caps based on other jurisdictions	Other jurisdictions (in NZD) - combined fee and levy: Australia	Canada	United Kingdom
eTA (visitor)	1,485,000	556,880	45	60	55		20	10	60
Visitor	449,480	169,820	245	390	335	**245**	155	120	195
Working Holiday	70,360	52,770	280	535	485		535	185	500
Student	86,250	56,600	275	455	385		680	175	710
RSE	13,190	17,000	325	495	410	**350**	340	185	500
Post-study work	28,540	21,410	495	845	725		1815	300	1430
AEWV (migrant check)	-	23,351	595	780	780		1395	365	1435
Partnership – Work	43,530	32,650	635	1040	880		0	650	1435
Partnership – Resident	9,210	6,910	1480	3255	2965		8480	1240	7980
Skilled Migrant – Resident	6,540	2,450	3240	6925	6275	**5000**	4445	1565	6765
Entrepreneur	220	160	4140	8165	7270	**5000**	4445	2450	2605
Investor Migrant	360	270	5070	9450	8305		9640	0	8185

Red highlighting shows highest rate amongst comparator jurisdictions

Annex Two: Cover letter to support ministerial consultation

Office of Hon Kris Faafoi

Minister of Justice
Minister for Broadcasting and Media
Minister of Immigration

Free and frank opinions

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Annex Three: Draft consultation document

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Review of the immigration funding model: interim fee and levy review

DRAFT Consultation document

February 2022

New Zealand Government

Context for the interim fee and levy review

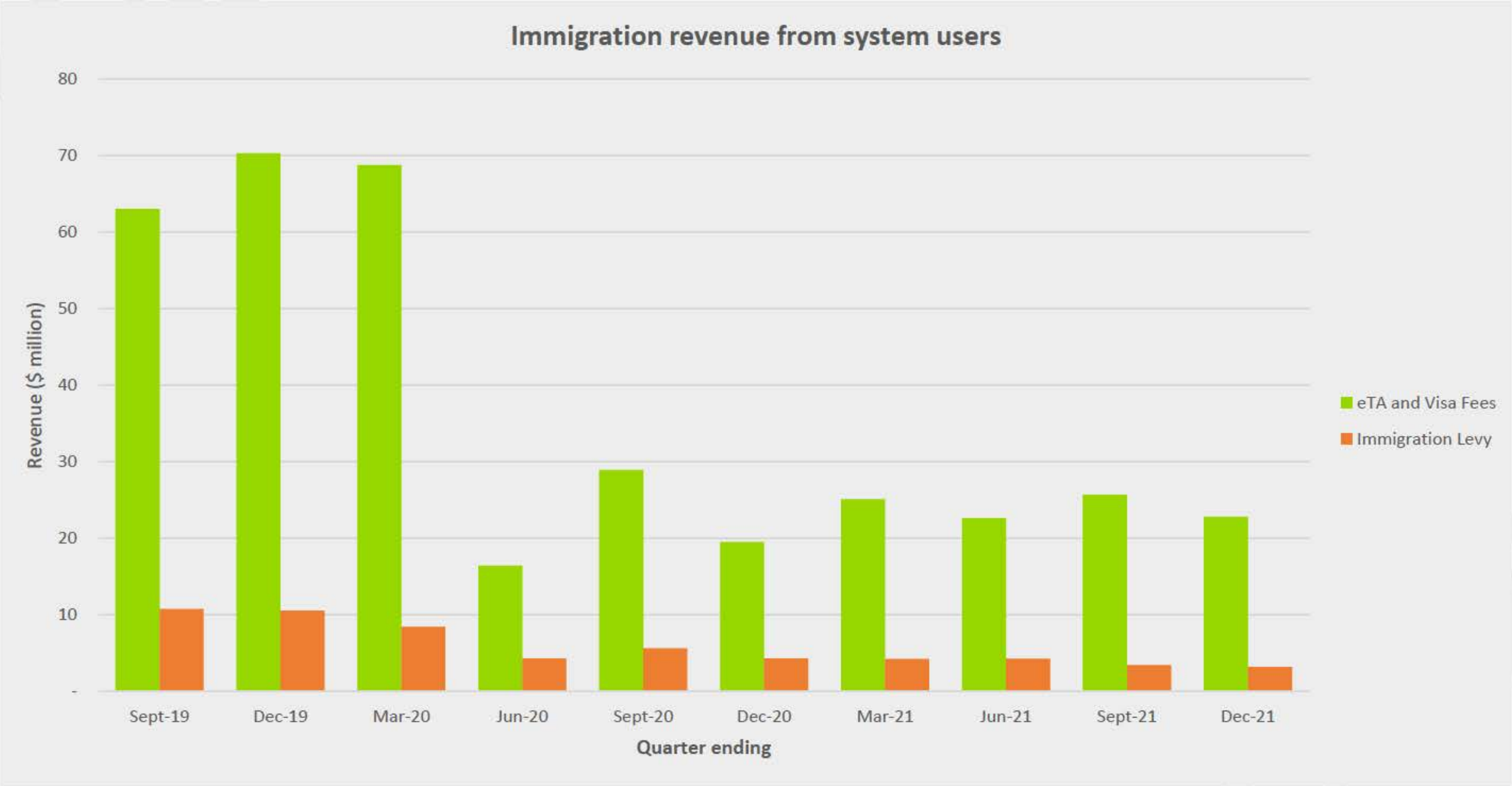
- **COVID-19 has had significant impacts on the financial stability immigration system**
  - Visa fee and levy revenue fell steeply with closure of the border: from $257 million in 2018/19 to $115 million in 2020/21.
  - The COVID-19 response created new resource intensive work, e.g. the Border Exception Settings
- **The Government has provided cash to keep the system running but this support is time limited**
  - Leaves less headroom for other funding priorities e.g. the health system
  - Users who benefit from the immigration system should pay for it
- **MBIE commenced an in-depth review of the immigration funding model in 2021**
  - Phase one: an **interim fee and levy review** with proposals to:

    Rebalance the fee and levy mix to provide a more sustainable funding base
    Recoup a fairer share of costs from users (staying within the range of what other countries charge)
    Address accumulated deficits in fee and levy accounts
  - This slide pack summarises the proposals and seeks your feedback to inform advice to Government in March
  - Phase two: will build off these proposals to improve the sustainability of the funding model, Confidential advice to Government [redacted]

The immigration system operates on the basis of funding by users (2/3) and Government (1/3)

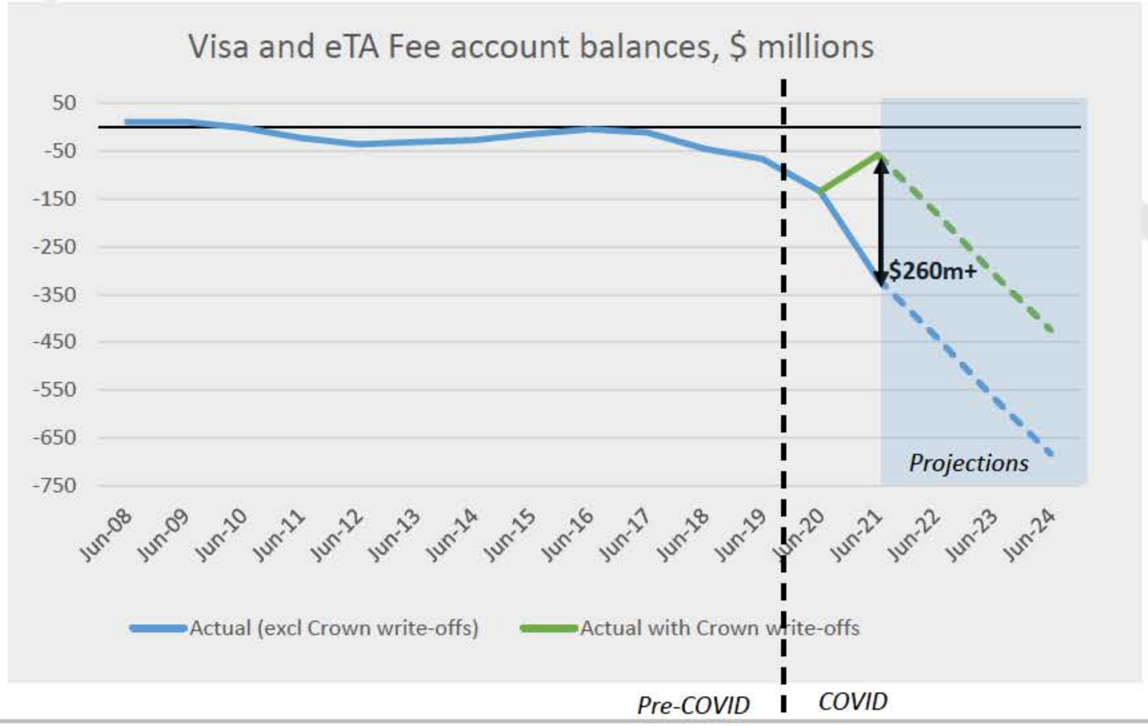
	Budgeted spending for year ending June 2022 (Budget 2021)	Sources of funding
Assessing and processing visas	$309.8m	88% Visa fee; 8% Crown; 4% eTA
Maintaining the **integrity and security** of the immigration system	$74.0m	67% Crown; 33% Levy
Migrant attraction, **information and guidance**	$11.1m	64% Levy; 36% Crown
Settlement services	$63.5m	98% Crown; 2% Levy
Total: funding and sources	**$458.3m**	58% Visa fee; 31% Crown; 7% Levy; 3% eTA

The border closure led to a steep fall in revenue

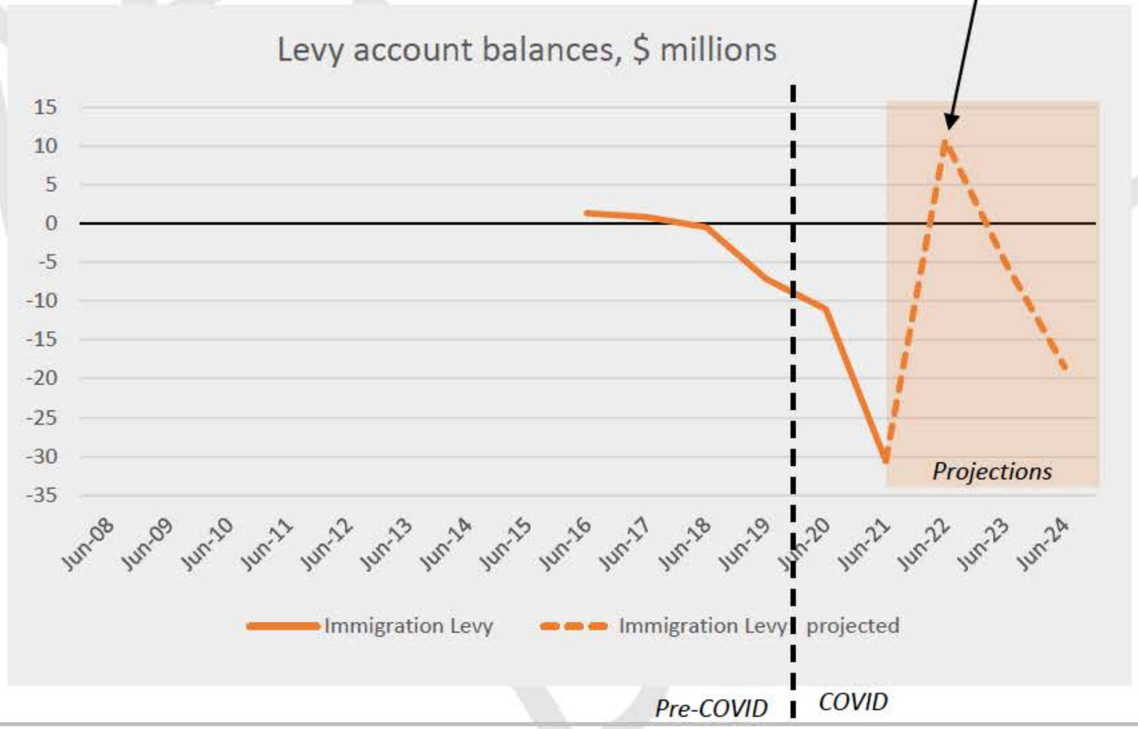


Creating large and difficult to manage deficits

- The Crown has absorbed a significant share of the short-fall, writing-off COVID-related funding deficits from March 20 – June 21 of $260 million
- But deficits will continue to grow if no action is taken



This spike in revenue due to temporary surge in applications for 2021 Residence Visa



Leaving less fiscal headroom for other priorities

- Users are no longer paying sufficiently to cover costs (closer to 1/3 from 2/3 previously)
- The Crown has made a significant contribution (>$260m)
- Ongoing Government cash injections reduces funding available for other priorities e.g. health care
- But maintaining INZ’s resourcing is critical to the performance of the immigration system and enabling re-opening to the world
- So ….users need to pay their share of the costs

We are responding to these challenges…

1. **Reducing unnecessary expenditure** and **improving efficiency** (e.g. shifting processing onshore, automation)

2. **First-principles review** of the immigration funding model to improve sustainability Confidential advice to Government [redacted]

3. **Interim fee and levy review** with the following objectives:
   - Rebalance the fee and levy mix to provide a more sustainable funding base
   - Recoup a fairer share of costs from users (staying within the range of what other countries charge)
   - Address accumulated deficits in fee and levy accounts

… under considerable uncertainty

- Revenue side:
  - Demand through *Reconnecting New Zealanders* hard to predict but likely to remain lower than 2019 for a couple of years
  - Therefore we modelled revenue on **volumes returning to 65% and 75%** or pre-COVID in the years to 30 June 2023 and 2024, respectively, except where:
    - Border measures (eg self isolation) may reduce demand, eg Visitor and working holiday
    - High demand could be expected, eg Recognised Seasonal Employer, Pacific Access, Samoan Quota
    - 2021 Resident Visa may reduce demand, eg Accredited Employer Work Visa and Skilled Migrant
  - Responsiveness to fee and levy increases is uncertain
- Spending side:
  - Efficiency gains from automation won’t be fully realised until volumes recover
  - The cost-to-serve is difficult to measure for individual visas
  - Therefore we **assume total expenditure remains relatively stable**, focus on “across-the-board” adjustments

Interim fee and levy review proposals

1 Adjust the fee and levy mix

+

2 Recoup a fairer share of costs from users

+

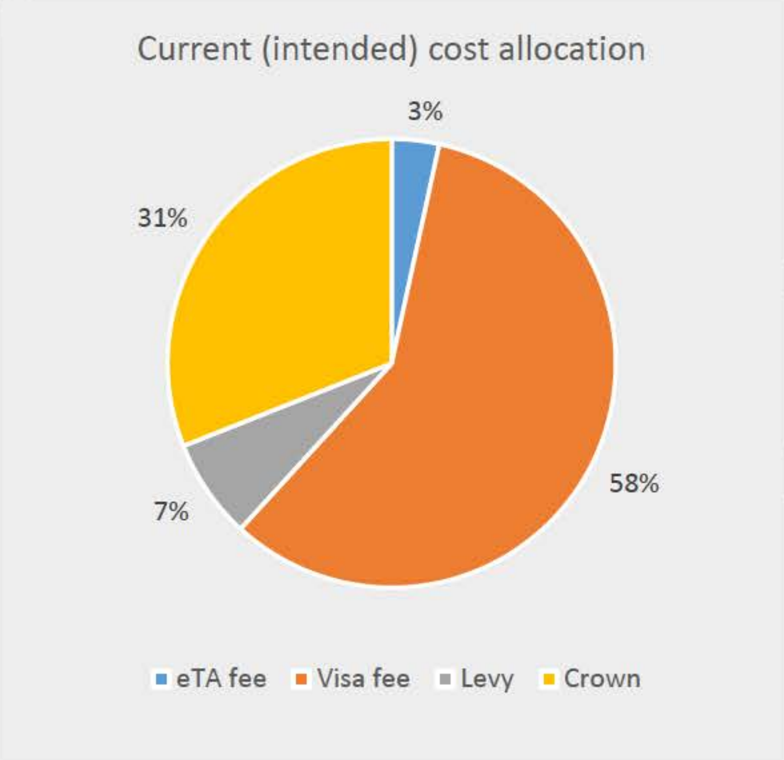
3 Address the accumulated funding deficits

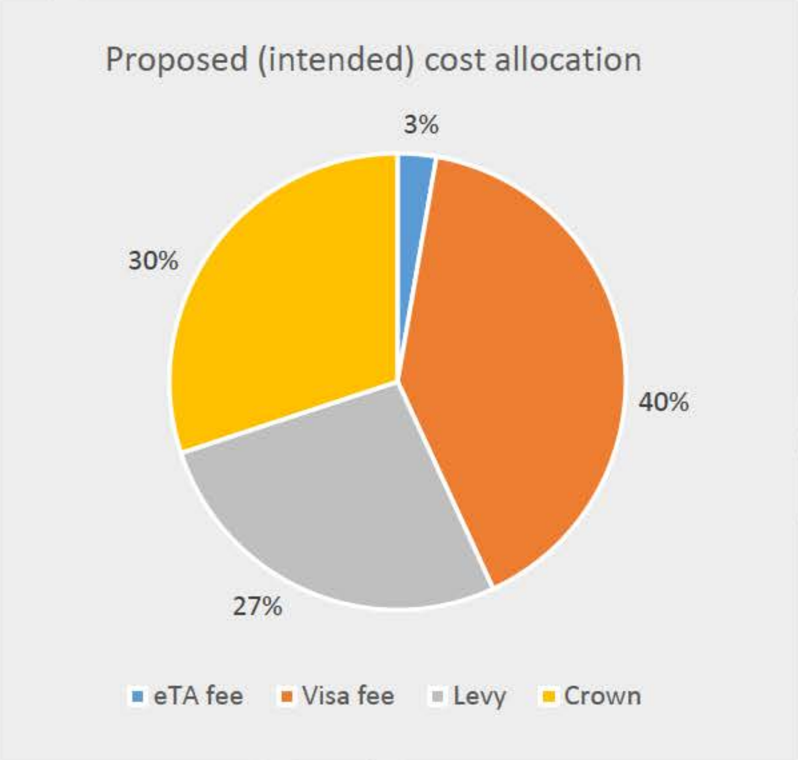
=

4 Proposed fee and levy rates

1 Adjust the fee and levy mix

- More of the costs from maintaining the system will shift to the Levy
- Limited short-term impact as levy payers are subset of fee payers
- Confidential advice to Government





2 Recoup a fairer share of costs from users

- Approach to calculating adjustments to fees and levies:
  - Allocating costs based on adjusted fee and levy mix (proposal 1)
  - Across-the-board % increases across all categories – retaining current relative charges

- Rather than returning to full cost-recovery over the next two years, we propose to **adjust fees and levies to only close HALF** of the projected revenue shortfall in the year ending June 2024 – conservative in event of greater than predicted recovery in visa volumes

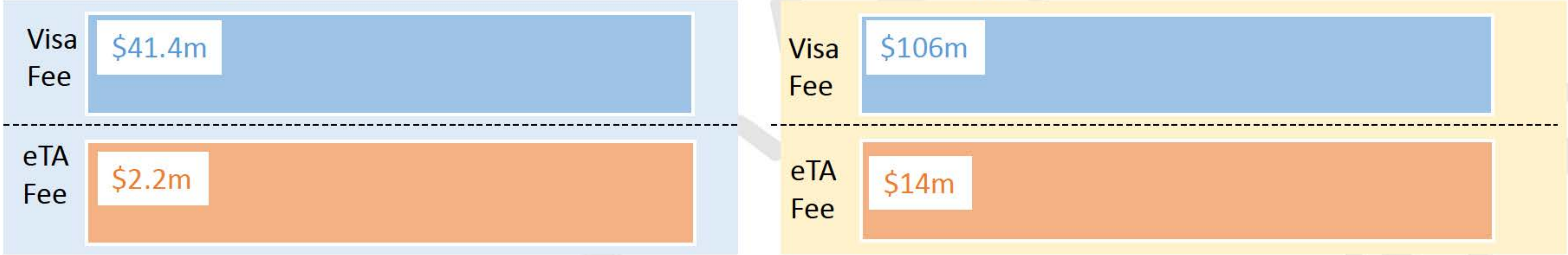
- **AND we propose to cap some** fees and levies in line with what other countries charge, to ensure that these charges contribute to desired immigration outcomes

- This approach would lead to ongoing deficits over the next two-years of approximately:
  - $38m in the visa account
  - $108m in the levy account
  - $9m in the eTA account

3 Address accumulated deficits

- The Crown has already written-off COVID-related funding deficits of $260 million
- A portion of pre-COVID deficits is already planned to be recovered through fees for 2021 Resident Visa and AEWV recovered who may have benefited from historical under-recovery

Remaining Pre-COVID deficits / Remaining COVID deficits*



- Choice is about how remaining deficits (above) are shared between Crown and future users

** Based on projections for year ending June 2022*

3 Address accumulated deficits

Remaining pre-COVID deficits

Fully-recover remaining pre-COVID deficits over two-years through fees

$41.4m

Visa Fee

$41.4m *Fully recover through fees*

$2.2m

eTA Fee

$2.2m *Fully recover through fees*

Remaining COVID deficits*

Partially recover COVID deficits over two years through fees – limited to extent of pre-COVID under-recovery;

Crown absorbs remainder

$106m

Visa Fee

$20m *Recover*

$86m *Crown absorbs*

$14m

eTA Fee

$2m *Recover*

$12m *Crown absorbs*

** Based on projections for year ending June 2022*

4 Proposed Fee and Levy Rates

Key Visa products	Visa class	Current fee + levy + IVL ($)	Proposed fee + levy + IVL ($)
eTA (visitor)	N/A	45	60
Visitor	Temporary	245	245
Working Holiday	Temporary	280	535
Student	Temporary	275	455
RSE	Temporary	325	495
Post-study work	Temporary	495	845
AEWV (migrant check)	Temporary	595	780
Partnership - Work	Temporary	635	1040
Partnership - Resident	Residence	1480	3255
Skilled Migrant - Resident	Residence	3240	5000
Entrepreneur	Residence	4140	8165
Investor Migrant	Residence	5070	9450

NOTE:

- *Highlighted figures reflect capped prices*
- *This is a summary for key visa products, **not a comprehensive list of all changes***
- *Figures rounded to nearest $5*

4 Comparison with other jurisdictions

Visa product	Proposed fee + levy + IVL ($)	Australia ($NZD)	Canada ($NZD)	United Kingdom ($NZD)
eTA (visitor)	60	20	10	**60**
Visitor	245	155	120	**195**
Working Holiday	535	**535**	185	500
Student	455	680	175	**710**
RSE	495	340	185	**500**
Post-study work	845	**1815**	300	1430
AEWV (migrant check)	780	1395	365	**1435**
Partnership - Work	1040	N/A	650	**1435**
Partnership - Resident	3255	**8480**	1240	7980
Skilled Migrant - Resident	5000	4445	1565	**6765**
Entrepreneur	8165	**4445**	2450	2605
Investor Migrant	9450	**9640**	N/A	8185

NOTE:

- *Highlighted figures reflect capped prices*
- *This is a summary for key visa products, **not a comprehensive list of all changes***
- *Figures rounded to nearest $NZD 5*

Estimated impacts of these proposals

Groups	Visa products, eg	Expected impacts	Rationale
Workers	• Recognised Seasonal Employer • Post-study work • Working Holiday • AEWV (migrant)*	Low	• Increase in charges are a relatively small increase compared to expected wages, especially as duration of work increases • Post-study responsiveness to changes in price likely to be low as already in the country
Partners and family	• Partnership (work) • Partnership (resident)	Low	• Main migrant is already in the country, so responsiveness to changes in price likely to be low • Proposed rates still considerably lower than AUS and UK
Students	• Students	Low	• Increase in charges are a relatively small increase to the cost of international education, especially at higher levels of education with high international fees. • Immigration Rebalance already tightening visa availability for lower level courses • Proposed rates still considerably lower than AUS and UK

** AEWV only affected by changes to overall levy rates*

Estimated impacts of these proposals

Groups	Visa products, eg	Estimated impacts	Rationale
Visitors	• eTA (visitor) • Visitor • Group visitor • Working Holiday	Low	• eTA charges are still low, which covers key visitor markets • Overall visitor charges are still somewhat higher than comparable countries, but price is unchanged due to capping
Employers	• AEWV (employer)	Not applicable	• Employer Accreditation is out of scope (doesn't include a levy)
Residence	• Residence Family • Investor • Entrepreneur • Skilled Migrant Category	Low to Medium	• We are proposing to cap the increase for the Skilled Migrant Category • Visa charges are spread across a longer duration (including effective reduction in wages for skilled migrants) which reduces size of impacts • Residence decisions often driven by non-price factors

RECAP

- COVID-19 has led to a sharp fall in immigration revenue and created new work
- Current charges no longer adequate to maintain the immigration system; users not paying a fair share of costs
- MBIE has taken steps to reduce unnecessary costs; Crown has absorbed significant costs
- We outlined three proposals to take steps towards sustainable funding:

1 **Adjust the fee and levy mix** + **2** **Recoup a fairer share of costs from users** + **3** **Address the accumulated funding deficits**

- The cumulative increases to visa prices – although significant:
  - ❖ **more fairly reflect the benefits** to individuals and wider users of a well-functioning immigration system
  - ❖ **enable Crown spending** on other priorities, while the Crown still absorbs a share of historical deficits
  - ❖ **limit risk of over-recovery** by only closing revenue gaps by half, capping increases for some visa types
- Further changes may be required to return to a sustainable funding position, to be explored through the Immigration Funding Review

We want your feedback on these proposals

1. What are your views on our assessment of the **expected impacts** of the proposed changes to fee and levy rates?
2. Do you have any questions about **the approach we have taken** for this interim review?
3. Do you have any particular feedback on any of the **three proposals**:
   - Adjusting the fee and levy mix
   - Recouping a fairer share of costs from users (staying within the range of what other countries charge)
   - Addressing accumulated deficits in fee and levy accounts

Thank you for your time today!

Contact us
Ministry of Business, Innovation & Employment
15 Stout Street, PO Box 1473,
Wellington 6140, New Zealand.
www.mbie.govt.nz

Document 8

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

2022 Interim immigration fee and levy review: Initial proposals

Date:	15 December 2021	**Priority:**	High
Security classification:	In Confidence	**Tracking number:**	2122-1962

Action sought		
	Action sought	**Deadline**
Hon Kris Faafoi **Minister of Immigration**	**Refer** a copy of this briefing to the Minister of Finance for his feedback	16 December 2021
	Discuss the proposals in this paper with officials	At your earliest convenience

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Kirsty Hutchison	Manager, Immigration (Border and Funding) Policy	Privacy of natural persons	✓
Richard Baird	Senior Policy Advisor, Immigration (Border and Funding) Policy		

The following departments/agencies have been consulted
The Treasury

Minister's office to complete:

☐ Approved ☐ Declined
☐ Noted ☐ Needs change
☐ Seen ☐ Overtaken by Events
☐ See Minister's Notes ☐ Withdrawn

Comments

BRIEFING

2022 Interim immigration fee and levy review: Initial proposals

Date:	15 December 2021	**Priority:**	High
Security classification:	In Confidence	**Tracking number:**	2122-1962

Purpose

This paper presents a package of proposed changes to immigration fees and levies that are intended to (as far as reasonably practicable):

- move towards a more sustainable method of cost recovery by changing the balance between fee, levy and Crown funding
- reduce the gap between third party revenue and costs
- address the accumulated deficits in the fee and levy memorandum accounts.

Subject to your feedback, we will prepare a draft consultation document (with refined numbers), to enable consultation with the Minister of Finance and relevant Ministers prior to targeted consultation with stakeholders in February 2022.

Executive summary

Immigration revenues are currently insufficient to cover costs. Just over two-thirds of the $475 million cost of operating the immigration system (in 2021/22) is intended to be recovered from third parties through fees and levies, with the Crown covering the rest of the appropriation. However, assuming a gradual reopening of the borders from 2022, the Ministry of Business, Innovation and Employment (MBIE) estimates that over the next two years, third party payers will only cover around 38 percent of costs under current fee and levy settings.

Addressing this gap is necessary to prevent a continued deterioration in the immigration fee and levy accounts. If the deficits continue to be absorbed by the Crown (i.e. taxpayers), this will reduce funding available for use on other government priorities.

We have developed a package of proposals to:

- shift the mix of fee, levy and Crown funding to better align with cost recovery principles and provide scope for broadening the future payer base
- increase revenue from fee and levy payers, through increasing fee and levy rates from 1 July 2022
- recover a proportion of the historical fee deficits from users of the immigration system.

The magnitude and mix of fee and levy increases are dependent on whether you choose to reallocate costs between funding sources, the degree to which you close the gap between revenue and costs by increasing fee and levy rates, and the proportion of historical fee deficits that are recovered by increasing fee and levy rates.

The indicative changes to fee and levy rates in this paper are based on estimates of visa volumes that largely assume 65 percent of 2018/19 applications in 2022/23, growing to 75 percent in 2023/24. These numbers will be refined once updated visa volume and revenue forecasts are prepared in January 2022.

This paper proposes a shift in the allocation of immigration system costs (primarily from fees to levies) and an increase to fees and levy rates to reduce the size of the revenue gap by 50 percent in 2023/24. This would result in approximately 54 percent of costs being recovered by third party payers. In addition, it recommends that all pre-COVID fee deficits and a portion of the 2021/22 fee deficit are recovered from third party users. Cumulatively, these changes would result in the following indicative price increases for a range of visa types:

- from $246 to $393 for a visitor visa (up 60 percent)
- from $310 to $494 for a student visa (up 60 percent)
- from $3240 to $7111 for a skilled migrant category residence visa (up 120 percent)
- from $635 to $1051 for a partnership visa (up 66 percent).

Although these indicative fee and levy increases appear large, we are mindful that:

- the immigration system delivers high private benefits that should be paid for by users / beneficiaries of the system, not the Crown
- the indicative fee and levy rates are still within the range of internationally comparable charges
- there is some evidence that demand for visas is relatively unresponsive to price changes, though this varies between classes of applicants and may not hold for such significant price increases.

The increases presented above reflect an across-the-board fee adjustment which is not ideal, and we propose to do further work in early 2022 to target the price increases to a) products that are more resource intensive to process and b) visas of a longer duration, where under-recovery is likely to be greatest.

If adopted, the proposals above would leave a residual deficit of $156 million across fees and levies by the end of 2023/24, and would reduce the cash injection requested by MBIE in Budget 22 from $155 million to $27 million.

A smaller increase in fee and levy rates would increase the size of this deficit. This would need to be met by the Crown, reducing funding available for use on other government priorities. A larger increase poses a risk of overshooting fee and levy revenue targets, if volumes recover more quickly than our forecasts have modelled.

Recommended action

MBIE recommends that you:

a **Note** that this paper provides initial advice on a package of proposals intended to:

i. shift the mix of fees, levy and Crown funding to better align the funding model with cost recovery principles and create a more sustainable funding base

ii. reduce the gap between third party revenue and costs in 2022/23 and 2023/24, Confidential advice to Government [redacted]

iii. address the accumulated deficits in the fee and levy memorandum accounts

Noted

b **Note** that the estimated revenue and cost figures underpinning this initial advice are indicative, and based on estimates and assumptions that MBIE intends to refine in January 2022, including:

i. future visa and Electronic Travel Authority (eTA) volumes that largely reflect 65 percent of 2018/19 applications in 2022/23, growing to 75 percent in 2023/24

ii. immigration spending is in line with existing appropriations

Noted

c **Note** that visa and eTA fee memorandum (memo) accounts and the Immigration Levy hypothecation account were in deficit prior to COVID, and that these deficits have worsened since the border restrictions were introduced in March 2020

Noted

d **Note** that Cabinet has provided MBIE with capital injections to replace the lost revenue and to fully 'write-off' COVID-related deficits totalling $259 million in the eTA and visa fee memorandum (memo) accounts for the period of March 2020 to June 2021

Noted

e **Note** that, without any remedial action to increase immigration charges, third parties will only cover 38 percent of immigration costs and deficits in the eTA and visa fee memo accounts are expected to deteriorate over the next three years, as set out below:

Surplus/(deficits) in immigration memo/hypothecation account balances ($ millions)			
End of fiscal year (30 June)	eTA fee	Visa fees	Immigration Levy
2020/21 (including previous write-offs)	(2)	(56)	(31)
2021/22 (estimate for current year)	(17)	(162)	11
2022/23	(27)	(279)	(5)
2023/24	(36)	(389)	(19)

Noted

A more sustainable mix of Crown, fee and levy funding

f **Note** that MBIE considers that the current fee and levy structure relies too heavily on fee funding (approximately 61 percent), and that funding a larger share of costs associated with maintaining the immigration system (such as ICT costs) from levies would better align with cost recovery principles Confidential advice to Government

Noted

g **Note** that, consistent with public sector cost recovery principles, MBIE proposes a partial reallocation from fees to levies, alongside other more minor changes, as outlined in the following table:

Cost allocation (average across 2022/23 and 2023/24) by revenue source					
	eTA fee	Visa fees	Immigration Levy	**Total 3rd party**	Crown
Current allocation	$15m / 3%	$263m / 58%	$32m / 7%	$310m / 68%	$137m / 31%
Proposed allocation	$15m / 3%	$178m / 39%	$134m / 30%	$328m / 72%	$119m / 27%

Noted

h **Note** that implementing the proposal in recommendation g above without any other changes to address the under-recovery of costs would result in the following revenue gaps in 2023/24:

Estimated revenue gap in 2023/24 ($ millions)		
eTA fee	Visa fee	*Levy*
(9)	(25)	(119)

Noted

Bringing revenue from fees and levies closer to cost recovery

i **Note** that MBIE recommends increasing the share of costs that are paid for by users of immigration services to reflect a fairer distribution of costs between users (who derive large private benefits from the immigration system) and taxpayers, and to avoid the continued increase of deficits in immigration fee and levy accounts

Noted

j **Note** that MBIE has calculated a range of **indicative** fee and levy rate increases to illustrate the adjustment required for various options to reduce the revenue gap (assuming visa volumes largely return to 75 percent of 2019 levels by 23/24 and no changes to the new Accredited Employer Work Visa and 2021 Resident Visa fees):

Close 2023/24 revenue gap by…	*eTA fee increase*	*Visa fee increase*	*Levy increase*
25%	38%	5%	178%
50%	75%	11%	356%
75%	113%	16%	533%
100%	150%	21%	711%

Noted

k **Note** that MBIE considers that adjusting fee and levy rates to reduce the revenue gap by as much as 50 percent would be reasonable and defensible, given this approach:

i. recoups more of the costs from users of the immigration system who derive high private benefits

ii. takes account of the significant amount of uncertainty in the current planning environment; and

iii. reduces the risk of over-recovery if volumes recover more quickly and/or the efficiency benefits from ADEPT are greater than anticipated

Noted

l **Note** that closing the revenue gap by the 50 percent implies increases in:

i. visa fee rates ranging between $6 (group visitor) and $360 (parent retirement)

ii. levy rates ranging between $53 (group visitor) and $2955 (skilled residence), and

iii. eTA rates ranging between $8 (mobile app) and $9 (online)

Noted

m **Note** that targeting adjustments to visa products that are more resource intensive is more equitable and efficient compared to across-the-board fee increases, and MBIE intends to do further work on targeting options in early 2022

Noted

n **Note** that past fee and levy reviews have included implicit subsidies for Pacific and Humanitarian visas (in the order of $5 million) covered by other fee and levy payers, and that to be consistent with cost recovery principles this subsidy should be explicit and met from Crown funding

Noted

o **Agree** to officials providing further advice on options to subsidise Pacific and Humanitarian visas that are better aligned with public sector cost recovery principles

Agree / Disagree / Discuss

Proposed recovery of historical fee deficits

p **Note** that the adjustments proposed above do not address the historical deficits in the fee memo accounts, namely those that accrued prior to COVID and those that will have accrued by the end of 2021/22

Noted

q **Note** that recovering the historical deficits would result in a fairer allocation of costs between the users of immigration services and taxpayers, and that early adjustments to fees and levies are preferable to minimise cross subsidisation between past and future payers (consistent with public sector cost recovery guidelines)

Noted

r **Note** that MBIE proposes that the historical deficits are addressed through:

i. a contribution from fee payers set with reference to the proportion of costs that were under-recovered pre-COVID, and

ii. the balance of the outstanding deficit being written off by the Crown

Noted

s **Note** that additional increases to eTA and visa fees of 37 percent and 27 percent, respectively, are expected to be sufficient to recover the following deficits over 22/23 and 23/24:

	Pre-COVID	*COVID-19-related (2021/22)*
eTA account	$2.2 million over two years	$1.9 million over two years
Visa fee account	$41.4 million over two years	$20.1 million over two years

Noted

t **Agree** to seek, via a letter, the Minister of Finance's agreement to write off any remaining historical eTA and visa fee deficits (up to $173 million), following completion of the 2021/22 financial year, as authorised by Cabinet [CAB-21-MIN-0116.04]

Agree / Disagree / Discuss

Cumulative impact of proposals

u **Note** that although the cumulative rate increases envisaged by these proposals are significant, they would, with the exception of visitor visa charges, still remain within (or near) the range of internationally comparable charges, as shown below (including the International Visitor Levy or IVL for short term visitors):

Visa product	*Visa class*	*Current fee + levy + IVL ($NZD)*	*Proposed fee + proposed levy + IVL ($NZD)*	*Australia ($NZD)*	*Canada ($NZD)*	*United Kingdom ($NZD)*
eTA (visitor)*	N/A	47	56	0	8	N/A
Visitor*	Temporary	246	393	155	115	185-710
Student	Temporary	310	494	670	175	680+
Partnership	Temporary	635	1051	N/A	1210	2980+
Working Holiday	Temporary	280	548	525	290	480+
Skilled Migrant	Residence	3240	7111	4360	1530	7065+
Family partner	Residence	1480	3346	8320	1210	9345
Family parent	Residence	1860	3871	4685	1210	N/A

** We expect that further work on targeting options will reduce the size of proposed visitor fee increases*

Noted

v **Note** the estimated fiscal impact on the Crown of the combined proposals, assuming 50 percent closure of the revenue gap:

Estimated Impact on the Crown over 2021/22 to 2023/24	*$ millions*
Proposed write-off of 2021/22 eTA and visa fee revenue shortfall remaining after proposed recovery	98
Residual fee and levy deficit by the end of 2023/24	156
Reduction in Crown spending in 2022/23 and 2023/24 from reallocation of costs	(36)
Total impact of proposals	**218**
Offset by: Capital injection in Budget 2021 to cover the anticipated shortfall in third-party fee funding for 2021/22	(173)
Net impact on the Crown	45

Noted

Proposed consultation and next steps

w **Note** that MBIE intends to update visa and eTA volume forecasts in January 2022, to better account for the impact of border reopening decisions, and will present you with updated proposals for new fee and levy rates, including options for more targeted increases, prior to undertaking consultation

Noted

x **Direct** officials to prepare a draft consultation document based on the proposals presented above to enable consultation with the Minister of Finance and relevant Ministers, ahead of targeted consultation with stakeholders and industry representatives in February 2022

Agree / Disagree / Discuss

y **Agree** to discuss the proposals in this paper with officials

Yes / No

z **Refer** a copy of this report to the Minister of Finance, and seek his feedback on the following proposals:

i. Closing revenue gaps by 50 percent, and

ii. Partially recovering the 2021/22 COVID-related deficit

Agree / Disagree / Discuss

Privacy of natural persons

Kirsty Hutchison
Manager, Immigration (Border and Funding) Policy
Labour, Science and Enterprise, MBIE

15/12/2021

Hon Kris Faafoi
Minister of Immigration

..... / ...... / ......

Background

1. On 10 November 2021 you took a paper to the Cabinet Economic Development Committee (DEV) with proposals for an in-depth review of the immigration funding system focused on returning the immigration system to a sustainable financial position [CAB-21-MIN-0467].

2. Cabinet agreed that the review would progress in three phases:

   a. **Phase 1** – an interim fee and levy review to address the under-recovery of immigration costs that has been exacerbated since New Zealand's borders were closed to most international travellers from March 2020.

Confidential advice to Government

3. In parallel to policy work, Immigration New Zealand (INZ) plans to review its visa processing operating model and complete the implementation of its Advanced Digital Employer-led Processing and Targeting (ADEPT) investment to further streamline visa processing.

We propose to address three main issues in this interim review

Immigration revenues are insufficient to cover costs; COVID-19 has significantly exacerbated the gap

4. Just over two-thirds of the $475 million cost[1] (for 2021/22) of operating the immigration system is intended to be recovered from third parties through fees and levies charged for visa applications and Electronic Travel authority (eTA) requests. The balance of this revenue and relevant spending is tracked over time in memorandum (memo) and hypothecation accounts.

5. The last immigration fee and levy review was conducted in 2018 and resulted in increases to most fee and levy rates. However, even with high volumes, the 2018 fee and levy rates were not sufficient to meet the costs of the system and recover the deficit in the visa memorandum account. It is worse now.

6. Recent analysis by MBIE's finance team indicates that by 30 June 2019, only eight months after fee increases from the 2018 review came into force, the revenue from visa fees and levies were approximately $19 million and $7 million short of the level required to recover costs, respectively.

7. Hence a key focus of this interim review is to identify options to reduce the revenue gap. The expected recovery in visa volumes from the easing of border restrictions in early 2022 should increase revenue, but won't be sufficient to fully address the funding gap as volumes are still likely to be lower than pre-COVID levels.

If the gap between revenues and costs is not addressed, the deficits in the fee accounts will continue to grow and create difficult choices for government

8. The accumulated deficit in the combined immigration fee memorandum accounts (visas and eTA) was $58 million prior to COVID-19, and due to the fall in tendered visa applications this

[1] This is the total cap of the Immigration Services MCA as at the 2021 October Baseline Update.

had deteriorated to $317 million by 30 June 2021. The deficit in the Immigration Levy account was just over $7 million in 30 June 2019, but has similarly deteriorated to just under $31 million by 30 June 2021.

9. The historical deficits in the Immigration levy account are expected to be resolved due to a one-off surge in levy revenue ($64 million) from the approximately 88,000 applicants expected for the 2021 Resident Visa. This still leaves deficits in both fee accounts.

10. The remaining deficits are a problem because:

    a. They create pressure on MBIE's balance sheet and may require MBIE to defer or cut investment in other areas, creating risks to service delivery.

    b. And the longer that under-recovery persists, the harder it is to recover the deficits from future fee payers. Unrecoverable deficits become a burden on the Crown and may eventually require the Crown (i.e. tax payers) to absorb the cost which constrains government expenditure in other areas.

11. In 2021, the Government wrote off the COVID-related deficit from 1 March 2020 to 30 June 2021. We propose that Ministers decide how to treat the remaining pre-COVID fee deficits, and the deficits that will accumulate from 1 July 2021 to 30 June 2022 as part of this interim review.

Current cost recovery arrangements are too heavily weighted towards fees …

12. Cost recovery principles suggest that costs related to the maintenance of the immigration system should be Crown or levy funded; and costs related to a service that directly benefits an individual should be recovered through fees paid by users.

13. The budgeted revenue mix across INZ's functions is approximately 61 per cent fees, 7 per cent levy, and 31 per cent Crown. On the face of it, this heavy weighting towards fees is not consistent with cost recovery principles, as this allocation of costs does not reflect the underlying nature of the activities and functions provided by the immigration system, and who benefits from them.

14. There are good reasons to get the cost allocation method right. First, to ensure that the right people are charged for the right things, thereby improving the alignment with cost recovery principles (discussed in the next section). And second, to support the outcomes sought from the wider funding review Confidential advice to Government [redacted]

15. We propose that changes to the cost allocation method – primarily shifting costs from being funded by fees to the levy – is progressed as the first step of the interim review because it sets the relevant cost bases for considering options for reducing the gap between revenue and cost for both fees and the levy.

Cost recovery principles

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

PRINCIPLE	DESCRIPTION
Equity	Costs associated with the direct provision of services (private goods) or the maintenance of the immigration system and management of risks associated

PRINCIPLE	DESCRIPTION
	with migration (club goods) are fully recovered from fee and levy payers, respectively. Cost recovery is managed through memorandum (or hypothecation) accounts. Inter-temporal equity is achieved by looking to reduce sustained deficits or surpluses. The cost of activities with public and private benefits should be shared between the Crown and migrants. As much as possible, the relativity between visa categories should reflect the relativity of the underlying processing efforts to minimise cross-subsidisation.
Transparency and consultation	Fees and levies for applications are fixed in regulations and generally charged at the point of application. Where appropriate, there should be consultation on significant changes to immigration charges and information about the underlying drivers of costs and decisions should be available.
Efficiency	Fees and levies should reflect the underlying costs of efficiently delivered services. This relies on having a good understanding of and information about the costs of the activities that are being charged for and the relationship to cost drivers.
Simplicity	An average fee is set across applicants within a particular category, or across categories. This smooths the fee between applications that require more or less processing, due to differing levels of complexity.
Accountability	INZ fees and revenues are scrutinised as part of its public sector financial accountability arrangements.
Effectiveness (Allocative efficiency)	Fees and levies reflect the costs of providing the service and have some relationship to the benefits that applicants enjoy and the risks and costs they give rise to, enabling resources to be used optimally.

Review outcomes and evaluation criteria

17. Based on the preceding discussion, we propose that the interim review seeks to deliver the following outcomes:

- Revenue from fees and levies is closer to cost recovery
- The mix and level of charges is more sustainable
- Government resources are more efficiently allocated
- There is improved transparency, accountability and equity across the charging regime.

18. The outcomes in paragraph 17 above form the key evaluation criteria against which the proposed options are assessed.

19. Confidential advice to Government [redacted]

The following proposals address the suboptimal allocation and under-recovery of costs, as well as the historical deficits

20. The following discussion briefly outlines the three issues that the interim review proposes to address, and focuses on describing the recommended options to address these issues, and the consequence for fee and levy rates.

21. This analysis has been informed by indicative estimates of visa and eTA volumes. We intend to revise these estimates once more detailed forecasting is completed in January 2022, to account for the impact of border reopening decisions taken as part of *Reconnecting New Zealanders*. We will brief you on any significant changes to the proposals below.

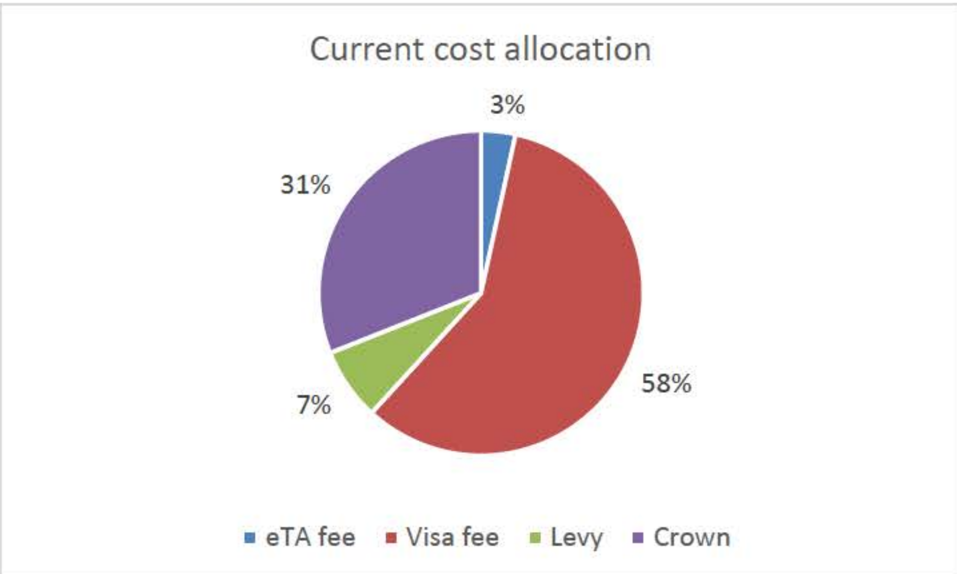
Proposal One: Address the over reliance on fee funding by shifting costs to the levy

22. Under current arrangements, the source of funding is weighted towards fees, with comparatively little levy funding. More can and should be recovered from levies because this would better align with cost recovery principles and practices, namely that the payer base that benefits from the immigration system (as opposed to specific immigration services) pay for the costs of maintaining the system.

23. Confidential advice to Government [redacted]

24. The current state is illustrated in the diagram below:

Diagram 1: Current state funding sources



25. In very general terms, those activities that have readily identifiable users who benefit from an activity, or who give rise to the need for the activity, are referred to as having private good characteristics. Private goods are usually funded by fees. In contrast, there are some activities that do not have specific users as such, but which nevertheless are provided for the "club" of users. Club goods, as they are referred to, tend to be funded by levies rather than fees (although both can be used).

26. The purpose and scope of the levy as defined in the *Immigration Act 2009* is to fund or to contribute to the funding of:

- programmes to assist migrants' successful settlement
- research into settlement issues and the impacts of immigration
- infrastructure required for, and the operation of, the immigration system, including (without limitation) for:
    - establishing and verifying identity of persons
    - managing risk to the integrity of the immigration system
    - managing immigration risk to the safety and security of New Zealand
    - managing compliance with the immigration system
- activities to attract migrants to New Zealand
- the Immigration Advisers Authority, to the extent that it is not otherwise funded.

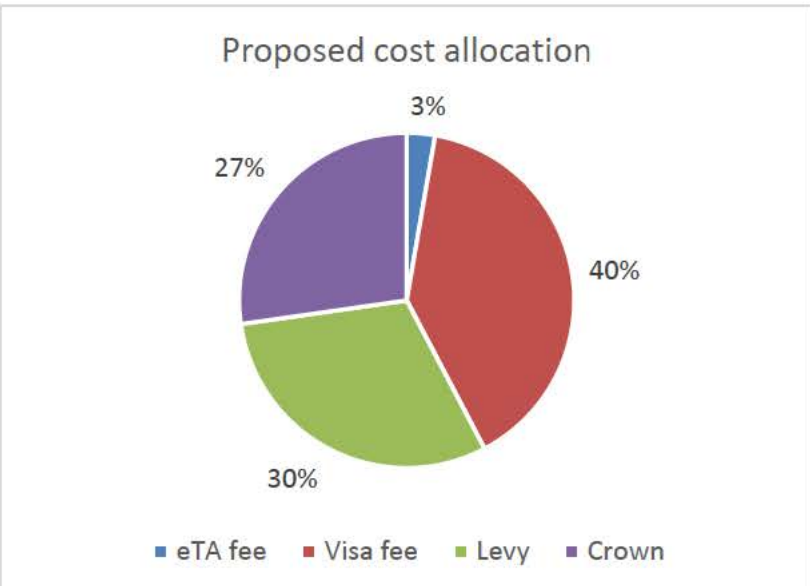
27. Many of the activities performed by INZ that are currently fee funded could fall within the scope of the Immigration Levy (there are judgements about exactly where the boundaries fall). For example, fees currently fund most ICT costs ($63 million), operational policy ($3 million), and projects and portfolio management ($3 million). Confidential advice to Government [redacted]

28. The Levy can be used to fund infrastructure to manage risks and compliance. A small number of Crown-funded activities, such as functions in intelligence, data and insights ($10 million), are focused on managing risks, and therefore could also be funded through the Levy.

29. We have also identified some activities currently funded by fees that would more appropriately be Crown-funded. These include INZ strategy and planning (<$1 million), and resolutions and business management ($3 million) functions, where the Crown is the customer.

30. Diagram 2 presents a possible reformulation of how activities are funded, with further explanation in the Future state section below.

Diagram 2: Future state funding sources



Future state

31. The main proposed shift is from fee to levy funding, followed by some Crown to levy funding (although there are other minor changes as well). In the main, the shift from fee to levy funding occurs in the Assessment and Processing MCA category and across the various functions that are performed within INZ's "Enablement" business unit. It should be noted that funding arrangements for Refugee and Migrant Services and Operations Tasking and Improvement have remained unchanged.

32. Implementing the changes to funding arrangements, leaving aside other changes, would reduce the proportion of costs intended to be recovered by visa and eTA fees from about 61 percent to around 43 percent and increase the proportion intended to be funded from levies from around 7 percent to around 30 percent. Crown funding would also reduce from about 31 percent to around 27 percent.

33. We also considered a more significant shift in funding sources based on the maximum amount that could justifiably be shifted, which would have seen a further 8 percent of total costs shifting from fees to levies. This was particularly driven by judgements about the treatment of ICT costs. The proposed cost allocation above would shift approximately half of these costs from fee funding to levy, on the basis that there are equally defensible arguments that these relate to enabling infrastructure of the system that benefit the club of users (levy rationale) and they are primarily used in the assessment and processing of visas for private visa applicants (fee rationale)

34. Absent any other changes to fee and levy rates, this proposal is estimated to reduce the annual deficit in the visa fee account by about $85 million, and increase the levy account deficit by about $103 million. The difference between these amounts reflects the $18 million reduction in direct Crown funding that would no longer be required with this shift in the mix (assuming fees and levies fully cover their respective service costs).

Proposal Two: Increase fee and levy rates

35. Following the proposed cost allocation above, the estimated revenue gaps in 2023/24, before any changes to fee and levy rates, are as follows, and reflect that third party payers will only cover around 38 percent of costs under current fee and levy settings:

Table 1: Estimated revenue gap (on current rates) in 2023/24, $ millions

eTA fee	Visa fee	*Levy*
(9)	(25)	(119)

There is limited scope to reduce immigration expenditure in the short to medium term, particularly in border processing areas...

36. As you are aware, INZ's expenditure has remained relatively constant due to: 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 visa expiry extensions, variations to the conditions of visa holders and processing border exceptions.

37. 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.

38. Work is underway to better understand costs (INZ has commissioned PwC to develop a cost model) and to drive greater efficiency into visa processing operations through automation. In

particular, the Advanced Digital Employer-led Processing and Targeting (ADEPT) programme will automate some aspects of visa processing is rolling-out in phases, beginning with visitor visas in early 2022. 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.

… so in the short to medium term, the under-recovery of costs must be addressed by increasing revenue from visa applicants and eTA requestors

39. A challenge in this respect is the uncertainty regarding future visa volumes. The greater the expected increase in visa volumes, the lower the necessary increase in fee and levy rates (because of fixed costs).

40. If fee and levy rates are set too high, and volumes rebound more than expected, this could result in a situation of over-recovery and fee and levy payers having to pay amounts much greater than costs. This would be inconsistent with the general requirement of cost recovery regimes that charges are as closely matched to costs as possible. It could also result in pressure to readjust fee and levy rates downwards. Multiple changes in fee and levy rates should be avoided wherever possible to maintain planning certainty for payers.

41. **Annex One** shows the impacts on the revenue gap for different increases in rates, based on our volume estimates for the 2022/23 and 2023/24 years, and existing appropriations. These estimates and supporting assumptions are outlined in more detail in **Annex Two**. They largely imply volumes from 1 July 2022 that have recovered to 65 percent and 75 percent, respectively, of pre-COVID levels (2018/19), except where there are good reasons to apply adjustments (e.g. a further halving of visitor numbers) or account for visa policy changes (e.g. Accredited Employer Work Visa (AEWV) replacing Essential Skills).

42. The following table summarises the average, across-the-board increases required to close the gap between revenue and costs in 2023/24, based on high level estimates of future volumes (see **Annex Two**).

43. The numbers exclude the 2021 Residence Visa and the AEWV from any changes to fees (and 2021 Residence Visa from levies also) as the rates for these visas have only recently been set and they are therefore considered to reflect adequate rates of cost recovery.

Table 2: Fee and levy increase options

	eTA fee increase	Visa fee increase	Levy increase
Close the gap by 25%	38%	5%	178%
Close the gap by 50%	75%	11%	356%
Close the gap by 75%	113%	16%	533%
Close the gap by 100%	150%	21%	711%

44. In light of the above, officials recommend increases to fee and levy rates that are less than those required to fully close the out-year revenue gap. This is due to the significant uncertainty about the growth in applicant volumes as borders reopen, the potential that the efficiency benefits from ADEPT are greater than anticipated, and [redacted] Confidential advice to Government

45. The effect of this is to reduce the risk of over-recovery, but it conversely does not fully resolve the shortfall that the Crown may be required to cover. Closing the revenue gap by 50 percent would result in approximately 54 percent of costs being recovered by third party payers.

46. Officials have also considered options for the approach to adjusting fee and levy rates. One option is to adopt an across-the-board adjustment (e.g. the percentage increases above apply across all fees and levies). This is a blunt approach and it could result in some fees being set at a rate that exceeds the underlying cost. A better approach is to align the fees for each type of visa application with underlying costs. However, INZ does not currently collect enough detailed cost data to fully enable this approach.

47. Reflecting this, officials propose a blended approach whereby instead of a uniform adjustment for all fees and levies, a more tailored approach is taken for those fee and levy categories where more is known about underlying costs and the gap between revenues and costs appears to be greatest. However, this would be applied for groups of visa products, e.g. work visas.

48. At this stage, we do not have sufficient confidence in our volume estimates to undertake the analysis on more targeted options, but this will be explored further in January.

49. One group of visas that is more likely to be under-recovering is Pacific and Humanitarian visas, since past fee and levy reviews have included implicit subsidies for Pacific and Humanitarian visas that are covered by other fee payers. For instance, the 2018 review notes that the price of these visas was only recovering 20 percent of costs, equating to a shortfall of $5 million a year.

50. If you wish to consider continuing to subsidise Pacific and Humanitarian visas, we recommend that, to be more consistent with cost recovery principles, the counterfactual increases should be covered by the Crown. For illustrative purposes, every 10 percent increase in fee rates equates to approximately $0.5 million that would otherwise be recovered from Pacific and Humanitarian categories, including Recognised Seasonal Employer, Samoan Quota and Pacific Access Category visas.

Proposal three: Recover a proportion of historical deficits

51. The longer the time taken to address historical deficits, the more difficult it becomes to justify recovering past costs from future payers.

52. Cabinet agreed to write off the COVID-related deficits in the visa memorandum account up to the end of the 2020/21 financial year. However, the pre-March 2020 deficits related to the under-recovery of costs for visas and eTA remain. As noted previously, the accumulated deficits for the immigration levy are expected to be more than offset by the levy revenues from the 2021 Resident Visa (so are not an issue in the immediate future).

Decisions to recoup past deficits must be reasonable and defensible

53. The legal authority for charging fees and levies is limited to the cost of providing the relevant services.[2] Although fees are generally limited to the cost of services directly received by the payer, the Immigration Act allows for some forms of grouping and averaging of costs, as well as taking account of some costs of services that are not directly provided to the payer of those fees.[3]

54. Addressing short-term deficits through regular reviews and making adjustments (over a reasonable period of time) that enable recovery of at least some of the historical deficit could be justified on the basis that there is a reasonable basis for recovery.

55. The key policy consideration is whether there is an equitable way to spread recovery of the deficits across the payer base.

[2] Office of the Auditor-General (2021), *Setting and administering fees and levies for cost recovery: Good practice guide,* at 3.13.
[3] s.393 *Immigration Act 2009*

56. Cabinet recently agreed to recover a portion of the pre-COVID visa fee deficit from 2021 Resident Visa applicants. The rationale for recovering $7 million of the fee deficit from 2021 Resident Visa applicants is that the majority of them are onshore applicants who would have benefited from fees set below cost recovery levels in the past [Briefing 2122-1051].

57. This same rationale is applicable to recovery of the deficit from future fee-payers, if these future payers overlap significantly with those who benefited from previous under-recovery of fees. In fact, a similar proposal to recover $7.6 million of the fee deficit (over three years) through the AEWV fee, will be considered by Cabinet in the new year.

58. As the 2021 Resident Visa fee is outside the scope of this interim review, we considered whether the cohort of current onshore visa holders who are not eligible for the 2021 Resident Visa would be the majority payer base over the short-term. Although we expect many of those currently onshore to transition to other visa types, they are likely to form only a small proportion of the fee and levy payer base from 2022/23 onwards. This limits the scope for reasonably recovering the full amount of historical deficit from fee payers.

59. Officials propose an approach that rests on some contribution from fee payers with the balance of the outstanding deficit being written off by the Crown.

60. The contribution from fee and levy payers can be set with reference to the extent to which costs were under-recovered pre-COVID:

    a. **Pre-COVID deficits**, which are due to past under-recovery of costs would be fully recovered from fee payers – (after accounting for the expected recovery of fee balances as a result of revenue from the 2021 Resident Visa and AEWV).

    b. **COVID-related deficits (2021/22)**, which are largely due to the fall in volumes/revenues following COVID-related border closure, would be partially recovered, up to the amount of the annual operating deficit prior to 29 February 2020 (assumed to be the start of the COVID outbreak in New Zealand)

61. Officials do not recommend recovering the full amount of COVID-related deficits from fee payers. This is due to the inequity of asking future visa applicants to fund costs that past applicants, or indeed the COVID-related border closure, have given rise to. The exception would be in those limited situations where the pool of future and past applicants overlaps to the extent that a sufficient proportion of future applicants are the same people who benefited from previous fees set below costs, including waived fees for visa extensions. It is unlikely that there are enough feasible payers who could justifiably cover the full amount of the historical deficit.

62. Officials recommend recovering these amounts over two years which is the time horizon for which we have some limited view of volumes, and by which time we anticipate the comprehensive fee and levy review (Phase Three) will be completed.

63. Applying the approaches set out above, the following table identifies the proportion of the pre-COVID and COVID-19 related deficit proposed to be recouped from fee and levy payers:

Table 3: Proposed recovery of historical deficits

	Pre-COVID	***COVID-related (2021/22)***
eTA account	$2.2 million over two years	$1.9 million over two years
Visa fee account	$41.4 million over two years	$20.1 million over two years

64. Note this will add an additional 37 percent and 27 percent to eTA and visa fee rates, respectively in 2022/23 and 2023/24.

65. As with Proposal Two, we intend to explore and provide you with options for a more targeted allocation of these increases across different visa products.

66. Cabinet has authorised the Minister of Finance and Minister of Immigration jointly to decide whether any fee account deficits in 2021/22 are to be recovered from future fee payers (or written-off), up to $173 million [CAB-21-MIN-0116.04]

67. We propose that you seek approval from the Minister of Finance, following completion of the fiscal year, that the remaining eTA and visa fee deficits, after taking account of the proposed recovery above, should be written-off. This is estimated to be approximately $98 million.

The combined impacts of these proposals would be significant…

68. The combination of these three proposals (assuming a 50 percent closure of the gap between revenue and fees) would require a 112 percent increase to eTA fees, a 38 percent increase to visa fees, and a 356 percent increase to levy rates.

69. The following table provides a simple comparison of current and proposed charges with those of comparable jurisdictions. Confidential advice to Government [redacted]

Table 4: Comparison of current and proposed charges with comparable jurisdictions ($NZD)

Visa product	*Visa class*	*Current fee + levy + IVL*	*Proposed fee + proposed levy + IVL*	*Australia*	*Canada*	*United Kingdom*
eTA (visitor)	N/A	47	56	0	8	N/A
Visitor	Temporary	246	393	155	115	185-710
Student	Temporary	310	494	670	175	680+
Partnership	Temporary	635	1051	N/A	1210	2980+
Working Holiday	Temporary	280	548	525	290	480+
Skilled Migrant	Residence	3240	7111	4360	1530	7065+
Family partner	Residence	1480	3346	8320	1210	9345
Family parent	Residence	1860	3871	4685	1210	N/A

70. Although changes of this magnitude are significant, international evidence suggests that the sensitivity of demand for visas to an increase in price is relatively low.[4] This reflects in part that immigration charges contribute only a small proportion of overall costs for potential migrants considering travel to New Zealand for holiday, work, study or residence. However, there is some uncertainty about the degree to which this will continue to hold with increases of this magnitude. Price sensitivity also tends to vary between classes of visa applicant: for example, people seeking family reunification are generally less sensitive to relative prices between countries than short term tourists.

71. In addition, the table above also shows that these indicative rates are generally within the range of charges of other comparable jurisdictions, with some rates at the upper-end (Skilled Migrant, visitor) and others significantly lower (student, partnership, family (partner)).

72. The new prices for particular visa products will also be influenced by the further analysis we intend to do of the underlying costs of each product to target fee increases to where under-

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

recovery is likely to be greatest. This means there is scope to adjust any rates that seem too high in relation to what other overseas countries charge, e.g. visitor visas.

… but would materially reduce the revenue replacement funding required in Budget 2022

73. The bid submitted to Treasury for Budget 2022 requests $155 million capital to cover the anticipated shortfall in third-party fee funding for 2022/23 [Briefing 2122-1916]. However, the bid indicates that $155 million would be the maximum funding required. We will revise the amount sought to reflect updated forecasts (in January 2022) that account for decisions taken on *Reconnecting New Zealanders*.

74. Our indicative estimate is that the direct capital injection required for Budget 2022 for 2022/23 would reduce to $27 million, but the Crown would need to directly bear the anticipated shortfall in levy funding of $65 million in 2022/23.

75. All up, the package of interim review proposals is expected to have an impact on the Crown of approximately $218 million over 2021/22 to 2023/24, which can be offset by the $173 million capital that was provided and charged against the multi-year Capital Allowance in Budget 2021. Even though this capital only directly relates to the $98 million shortfall in 2021/22, returning the remaining capital will improve the Crown's balance sheet.

Table 5: Estimated impact on the Crown, $ millions

Proposed write-off of 2021/22 eTA and visa fee revenue shortfall remaining after proposed recovery	98
Residual fee and levy deficit by the end of 2023/24	156
Reduction in Crown spending in 2022/23 and 2023/24 from reallocation of costs	(36)
Total impact of proposals	**218**
Offset by: Capital injection in Budget 2021 to cover the anticipated shortfall in third-party fee funding for 2021/22	(173)
Net impact on the Crown	45

Consultation

76. Cabinet agreed that targeted consultation could take place on any adjustments proposed within existing cost recovery settings. This consultation will inform final proposals due to Cabinet in March 2022.

77. Targeted consultation will enable key stakeholders have the opportunity to understand the rationale for the interim review and the basis for the proposed changes to fee and levy rates.

78. We propose to engage with the following groups, which comprise the main stakeholder groups consulted on the 2018 fee and levy review:

    a. Industry collectives, including peak bodies for education providers, the tourism industry and the immigration advice industry

    b. BusinessNZ and the Employers and Manufacturers Association (EMA)

    c. Council of Trade Unions (CTU) and the Migrant Workers Union

    d. Board of Airline Representatives of New Zealand (BARNZ)

    e. NZ International Students Association (NZISA)

79. We will develop a short discussion paper / slide pack covering the background to the review, the key problems identified and options proposed. It will include an assessment of impacts on key personas, and will contain questions designed to elicit feedback from stakeholders on specific aspects of the options.

80. We will provide a copy of the slide pack as part of the February briefing to enable consultation with the Minister of Finance and relevant Ministers (Education, Foreign Affairs, Primary Industries, Tourism, Transport, Customs), and to support engagement with stakeholders over a four-week period starting in mid-February 2022. The numbers in the slide pack are likely to vary from the numbers in this briefing, as they will take account of updated projections of visa volumes and revenue. We will highlight any significant changes in the proposed fee and levy rates in the cover briefing that accompanies the slide pack.

81. We are also in a position to draw on general themes from other border agencies' consultations on proposals to increase fees and levies for travellers. Customs and MPI recently carried out public consultation on proposals to resume full cost recovery of border processing services. This involved both general consultation and targeted engagement with airline, cruise, and tourism stakeholders in mid-2021 [DEV-21-MIN-0185].

Next steps

82. The following timeline reflects our current planning:

Date	*Deliverable*
Jan	Visa and eTA forecasts updated to better reflect *Reconnecting New Zealanders*
Feb	Briefing with draft consultation document for MoI. For referral to MoF and Border Ministers, seeking approval to consult
Mid-Feb to Mid-March	Four weeks of targeted engagement with stakeholders
Mid-March	Findings from consultation and draft Cabinet paper to Minister (referred on to other Ministers as FYI)
Early April	Cabinet consideration of proposals (including any appropriation changes from cost reallocation), to avoid Budget Moratorium
Mid-April to Budget Day	Budget Moratorium on any decisions that would have impact on the accuracy of Estimates of Appropriations and Crown accounts on Budget day
May – June	Implementation
July	New fee and levy rates apply

83. Officials are available in December or from mid-January to discuss the proposals in this briefing and the proposed consultation process.

Annexes

Annex One: Impacts of different fee and levy rates

Annex Two: Indicative Visa and eTA application volumes

Annex One: Impacts of different fee and levy rates

Immigration visa fee

Annual operating surplus/(deficit), nearest $ million				
Description	**Increase to fee rates**	**2022/23 estimates** *Volumes = 604,309*	**2023/24 estimates** *Volumes = 664,785*	**Two-year Total**
Status quo	0%	(32.4)	(25.2)	(57.6)
Close 25% of gap in 2023/24	5%	(26.7)	(18.8)	(45.5)
Close 50% of gap in 2023/24	11%	(21.0)	(12.4)	(33.4)
Close 75% of gap in 2023/24	16%	(15.3)	(5.9)	(21.2)
Close 100% of gap in 2023/24	21%	(9.6)	0.5	(9.1)
Close 100% of the gap over two years	25%	(5.3)	5.4	0.2

Immigration levy

Annual operating surplus/(deficit), nearest $ million				
Description	**Increase to levy rates**	**2022/23 estimates** *Volumes = 604,309*	**2023/24 estimates** *Volumes = 664,785*	**Two-year Total**
Status quo	0%	(118.7)	(115.9)	(234.6)
Close 25% of gap in 2023/24	178%	(91.7)	(86.9)	(178.6)
Close 50% of gap in 2023/24	356%	(64.7)	(57.9)	(122.6)
Close 75% of gap in 2023/24	533%	(37.8)	(28.9)	(66.6)
Close 100% of gap in 2023/24	711%	(10.8)	0.1	(10.6)
Close 100% of the gap over two years	745%	(5.6)	5.7	0.1

Electronic Travel Authority

Annual operating surplus/(deficit), nearest $ million				
Description	**Increase to fee rates**	**2022/23 estimates** *Volumes = 482,625*	**2023/24 estimates** *Volumes = 556,875*	**Two-year Total**
Status quo	0%	(10.0)	(9.2)	(19.2)
Close 25% of gap in 2023/24	38%	(8.0)	(6.9)	(14.9)
Close 50% of gap in 2023/24	75%	(6.0)	(4.6)	(10.6)
Close 75% of gap in 2023/24	113%	(4.0)	(2.3)	(6.3)
Close 100% of gap in 2023/24	150%	(2.0)	0.0	(2.0)
Close 100% of the gap over two years	168%	(1.1)	1.1	0.0

Assumptions and Caveats:

- Volume as per Annex Two
- Costs reflect the proposed changes to the allocation of costs to revenue sources (eTA approximately unchanged)
- Costs reflect current appropriations, and are assumed to remain unchanged to increases in volume, i.e. activities can be undertaken within existing resourcing
- For simplicity, all applications are assumed to be made in New Zealand, and therefore the relevant visa fee band A applies
- Accredited Employer Work Visa and 2021 Resident Visa are excluded from increases to fee rates

Annex Two: Indicative Visa and eTA volumes

	2021/22	2022/23	2023/24
Visa products	*INZ forecast*	*65% of 2018/19**	*75% of 2018/19**
Visitors	23130	179475	207087
Essential skills	39191	0	0
Students	26956	49056	56603
Work to Residence	7742	0	0
Partnership – Work	26774	28293	32645
Residence Family	12754	7274	8393
Other	166765	96452	111290
Accredited employer	319	0	0
Approval in Principle	17	167	193
Dependent Child	16815	20318	23444
Recognised Seasonal Employer	12227	13189	13189
Entrepreneur	62	169	195
Investor	656	233	269
Pacific Access Category/Samoan Quota	51	416	480
Privacy	62026	14767	17039
PRV	25060	28115	28115
Refugee Family Support	344	411	475
Section 61	8222	2447	2823
Skilled Migrant Category	8253	3382	2492
Specific Purpose	4995	6847	7901
Variation of Conditions	18305	16114	18593
Post-study work	13219	18552	21406
Working Holiday	466	45736	52772
Critical Purpose Visa	27798	6519	0
Border Exceptions EOI	34109	9448	0
2021 Resident Visa	89710	0	0
Accredited Employer Work Visa employer Check	5302	10230	10230
Accredited Employer Work Visa job Check	3657	23351	23351
Accredited Employer Work Visa Migrant check	2382	23351	23351
TOTAL	**637306**	**604309**	**664785**
Electronic Travel Authority	**81800**	**482625**	**556875**

Caveats and assumptions

- 2022/23 and 2023/24 volumes are indicative, and will be formally updated in January 2022
- 2021/22 volumes reflect INZ forecasts of tendered volumes, and don't account for border re-opening
- 2022/23 and 2023/24 volumes account for border reopening by assuming a proportion of pre-COVID (2018/19) decided volumes with the following main assumptions:
    - Essential skills and Accredited employer visas are replaced by Accredited Employer Work Visa
    - Visitor and working holiday are reduced further to reflect self-isolation requirements
    - Work to Residence and Residence from Work are phased out
    - Student volumes are reduced further to reflect expected rebalance policy changes
    - RSE volumes are assumed to recover to full pre-COVID levels
    - Permanent Residence reflects a two-year lag in accepted residence visas
    - Critical purpose and border exceptions are phased out
    - AEWV and Skilled Migrant volumes are dampened by 2021 Resident visa

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

Immigration Fee and Levy Review: Final policy decisions and draft Cabinet paper

Date:	22 March 2022	**Priority:**	High
Security classification:	In Confidence	**Tracking number:**	2122-3136

Action sought		
	Action sought	**Deadline**
Hon Kris Faafoi **Minister of Immigration**	**Agree** to the proposed new immigration fee and levy rates (the proposals take account of feedback from your ministerial colleagues and stakeholder consultation) **Agree** to circulate the attached draft Cabinet paper for Ministerial consultation **Sign and send** the attached letter to the Minister of Foreign Affairs (Hon Nanaia Mahuta) acknowledging her feedback on the earlier proposals and how this has been addressed	24 March 2022

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Kirsty Hutchison	Manager, Immigration (Border and Funding) Policy	Privacy of natural persons	✓
Richard Baird	Senior Policy Advisor		

The following departments/agencies have been consulted

Minister's office to complete:

☐ Approved	☐ Declined
☐ Noted	☐ Needs change
☐ Seen	☐ Overtaken by Events
☐ See Minister's Notes	☐ Withdrawn

Comments

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

Immigration Fee and Levy Review: Final policy decisions and draft Cabinet paper

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Purpose

This briefing updates you on feedback from consultation on the interim fee and levy review, and how policy proposals have been updated in response to this feedback. It provides you with a draft Cabinet paper for Ministerial consultation.

Executive summary

We recently consulted with selected stakeholders on draft proposals for the Immigration Fee and Levy Review (the Review), which included the proposed recovery of a share of historical deficits. Key themes that emerged from this engagement were concerns that:

- a large increase in the price of visas would send the wrong signal at a time when New Zealand is reconnecting with the world; this could reduce the attractiveness of New Zealand to prospective migrants; and the increases appear to impact on low-income migrants coming to New Zealand to work, more than wealthier migrants e.g. visitors
- the cumulative effect of the price increases coupled with other policy changes (e.g. the future Immigration Rebalance) will increase the cost of migration and reduce volumes
- future users should not have to pay for historical deficits (including pre-COVID and well as COVID-related deficits).

The attached draft Cabinet paper presents an amended set of proposals that incorporate updated assumptions about visa volumes and revenue, as well as addressing stakeholders' feedback on the initial proposals, to some extent.

The initial proposals were based on most visa volumes recovering to 65% of pre-COVID levels by the June 2023 and 75% of pre-COVID levels by June 2024 (but some categories recovering more slowly, e.g. visitor visas, and some categories recovering more quickly, e.g. Recognised Seasonal Employer limited work visas). We have now been able to revise our assumptions for a few key products where INZ has been able to prepare updated forecasts (Visitor, Student, Skilled Migrant and Working Holiday Visas), increasing the estimated number of decided applications by more than 100,000 over the two-year period. Overall, this has increased the level of expected revenue and reduced the price increase required to close the anticipated revenue shortfall by 50%.

In response to stakeholders' feedback, and consistent with the objectives of the review, the attached paper seeks Cabinet's approval to:

- retain the current fee and levy rates for key Pacific visas (Samoan Quota, Pacific Access and limited work (Recognised Seasonal Employer) by fully subsidising the increases that would otherwise have been allocated to these visas (at a cost to the Crown of approximately $4 million over the next two years)
- cap the prices of Visitor and Skilled Migrant Category visas (at a cost to the Crown of approximately $30 million over the next two years)

- fully write off the remaining pre-COVID deficit (of $44 million) and the COVID-related deficit (of $120 million) in the visa and eTA memorandum accounts (the fiscal impact would be limited to $44 million (i.e. the pre-COVID deficit) as the cost to the Crown of the COVID related portion was already recognised when the $173 million capital injection/contingency was provided in Budget 2021.

We are not proposing to cap the price of student visas for applicants from the Pacific as the existing fee discounts to applicants from the Pacific will continue to apply. Under the proposed increases, a student visa would cost $60 less than the New Zealand price ($375) if applying from the Pacific.

The cumulative effect of the changes to visa volumes, subsidies and deficit write-offs outlined above will result in respective increases to eTA fee, visa fees and levies of 100%, 11%, and 287%, which are lower than the previous indicative increases by 2 percentage points, 27 percentage points and 47 percentage points, respectively. The significant levy increase reflects the proposed shift in the revenue mix, primarily from fee to levy, to create a foundation for a more sustainable funding model. Confidential advice to Government

Due to the number of competing operational changes that INZ is required to implement over the coming months, implementation of the proposed price increases could occur from 1 August 2022, rather than 1 July 2022. This is anticipated to result in forgone revenue of approximately $4 million (based on one-twelfth of increased 2022/23 revenue), but could be higher or lower depending on the extent to which potential migrants submit earlier applications to avoid the increases.

This Cabinet paper needs to be lodged on 31 March 2022 to allow for policy decisions ahead of Budget moratorium. We recommend conducting Ministerial and Agency consultation in parallel from 24-30 March 2022 in order to meet this deadline.

Recommendations

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

a **Note** that the key themes from targeted stakeholder engagement on the Immigration Fee and Levy Review (the Review) [MBIE 2122-3050 refers] include: the fairness of seeking to recover historical visa and eTA deficits from future users of the immigration system, and concerns about the signalling effect of large increases in the price of visas; the impact on low-income migrants, including those from the Pacific

Noted

b **Note** that we have updated the proposals from the Immigration Fee and Levy Review to take account of the feedback we received from stakeholders, and the underlying objectives of the Review

Noted

c **Agree** to recommend to Cabinet that the Crown fully absorbs and writes off remaining immigration fee deficits from both pre-COVID (totalling $44 million) and those that will accrue to June 2022 (estimated at $120 million) – subject to Budget 2022 decisions

Agree / Disagree

d **Agree** to recommend to Cabinet that the Crown maintain the current fee and levy rates for key Pacific visas (Samoan Quota; Pacific Access and limited work (Recognised Seasonal Employer)), by fully subsidising the across-the-board increases that would otherwise apply, at a cost of approximately $4 million over the next two years

Agree / Disagree

e **Note** that the policy decisions in c) and d) above would reduce the size of fee increases proposed by the Review – especially for Pacific migrants – and that in addition, any existing fee discounts for applications from the Pacific would continue to apply, where applicable

Noted

f **Note** that the attached draft Cabinet paper reflects the proposals from the discussion document [MBIE 2122-3050 refers], adjusted for the further policy decisions above as well as updated information and assumptions about visa volumes and revenue

Noted

g **Note** that the draft Cabinet paper proposes:

i. to improve the mix of funding to create the foundation necessary [redacted] Confidential advice to Government [redacted]

ii. across-the-board increases to most immigration fee and levy rates, to bring third-party revenue closer to cost recovery, except for a small number of price caps to stay competitive with comparable jurisdictions, and subsidies of Pacific visas

iii. to write-off accumulated fee deficits

Noted

h **Note** that based on the volume and spending assumptions, the final proposals in the draft Cabinet paper:

i. would result in increases to eTA fee, visa fee and immigration levy rates of 100%, 11% and 287%, respectively; except for a small number of price caps and subsidies of Pacific visas

ii. would, over two years, result in $87 million more revenue from third parties and $20 million lower operating costs for the Crown

iii. would reduce the total estimated eTA fee, visa fee and immigration levy deficits by $243 million

iv. would reduce the potential fiscal burden on the Crown or future immigration users; but has an upfront cost to the Crown of $44 million (remaining pre-COVID deficits)

Noted

i **Note** that the proposed increases to immigration fees and levies are lower than those consulted on, but are still expected to attract adverse comment from stakeholders

Noted

j **Note** that due to the number of immigration policy changes competing for INZ’s implementation resources, implementation of the proposed changes could only occur from 1 August, rather than 1 July 2022

Noted

k **Agree** to consult other Ministers on the draft Cabinet paper from 24 March to 30 March 2022

Agree / Disagree

l **Agree** to sign and send the attached letter (Annex Two) to the Minister of Foreign Affairs in response to her feedback on the draft consultation document

Agree / Disagree / Discuss

m **Note** that officials will provide you with an updated Cabinet paper, reflecting any feedback from Ministerial and agency consultation, for lodgement on 31 March 2022 in order for Cabinet to make policy decisions ahead of Budget moratorium.

Noted

Privacy of natural persons

Kirsty Hutchison	Hon Kris Faafoi
Manager, Immigration (Border and Funding) Policy	**Minister of Immigration**
Labour, Science and Enterprise, MBIE	
22 / 03 / 2022	.... / .... / ....

Key themes from the consultation on immigration fee and levy rates

1. We have finalised our consultation on the proposed changes to immigration fee and levy rates with the following stakeholders (who represent key groups that would be impacted by changes to fee and levy rates):
    a. Tourism / Airlines: Tourism Industry Aotearoa (TIA)
    b. Immigration advisers: Immigration Reference Group, represented by Kristy Vester, the chairperson of the NZ Association of Immigration Professionals (NZAIP)
    c. Business / employers: Business New Zealand and the Employers and Manufacturers Association (EMA)
    d. Workers: Council of Trade Unions (CTU) and Union Network of Migrants
    e. International students: Universities New Zealand and Independent Tertiary Education New Zealand (ITENZ)

2. For each of the three consultation meetings, we took stakeholders through a presentation summarising the context and problem definition for the Review, the proposals, indicative new fee and levy rates based on those proposals, and our assessment of the likely impacts of the changes on migration decisions for different groups. We provided you with this consultation document on 15 February 2022 [MBIE 2122-2522 refers].

3. Stakeholders were asked for their views on the impacts of the combined fee and levy increases and the underlying proposals. We also provided stakeholders with the opportunity to send through further feedback visa email following the consultation session.

The consultation identified a few common themes

4. Most stakeholders noted that the proposed increases looked significant and that this could make New Zealand a less attractive destination for prospective migrants[1]. They expressed concern that:

    - as New Zealand is reopening to the world, significant fee and levy increases would send the wrong signal, and higher prices could make us less competitive relative to other countries we compete with for migrants
    - the size of the increases would negatively impact Pacific migrants, in a way that would be inconsistent with the Government's wider commitments to the Pacific
    - substantial increases would negatively impact particular migrant groups such as those with larger families, those coming from lower-income countries, and students (who will also be impacted by the Immigration Rebalance proposal to increase the amount they are required to have for living costs).

5. Some stakeholders questioned the fairness of including deficit recovery in the new fee rates. Their reasoning was that:

    - new applicants should not be held responsible for past under-recovery of costs

[1] Including tourists and travellers

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

In response to feedback, we recommend two changes to the proposals

Recovery of deficits

6. Our initial advice on the treatment of pre-COVID and COVID related deficits recommended that the government:

   a. Fully recover the remaining pre-COVID deficits of $44 million (noting that a portion [$14.6 million] of the pre-COVID deficit was also being recouped through the fees set for the Accredited Employer Work Visa (AEWV) and 2021 Resident visa); and

   b. Partially recover the COVID-related deficits (i.e. the portion that could be attributed to the past under-recovery of costs).

7. These proposals would mean that the Crown would meet $99 million of the combined deficits and users of the immigration system would meet the remaining $65 million [MBIE 2122-1962 refers].

8. All stakeholders consulted raised concerns about the perceived fairness of future users of the immigration system being asked to pay for historical deficits. In view of this, we consider that the Government may wish to revisit the treatment of the historical deficits and write off all of the remaining deficits in the visa and eTA fee memorandum accounts.

9. Although the Crown fully writing off the deficits would be a less efficient use of government resources (i.e. there is an opportunity cost of these resources not being available for other Government priorities), this option would be fairer to new users of the immigration system. It would also contribute to addressing concerns that large increases in visa prices would deter migrants by reducing the size of rate increases. In addition, the proposed write-off would be consistent with the treatment of pre-COVID memorandum account deficits of Customs and MPI border services agreed by Cabinet in February 2021 [DEV-21-MIN-0011 refers].

10. The Crown write-off of all remaining historical deficits is estimated to total $164.1 million, comprising:

    a. Pre-COVID deficit: $42 million in visa fees and $2 million in eTA fees

    b. COVID-related deficit (estimated): $100 million in visa fees and $20 million in eTA fees

11. The fiscal impact would be limited to $44 million (i.e. the pre-COVID deficit) as the cost to the Crown of the COVID related portion was already recognised when the $173 million capital injection/contingency was provided in Budget 2021. You have delegated authority with the Minister of Finance to write-off COVID-related deficits [CAB-21-MIN-0116.04 refers].

12. Write-off of the $44 million would also be dependent on the outcome of the $155 million capital injection that you are seeking through Budget 2022. Only a fraction of this should be required if Cabinet agrees to the proposed increases in fee and levy rates. However, we are still recommending that the rest be provided in contingency, reflecting the risk that the global situation changes and visa volumes remain low.

13. Confidential advice to Government [redacted]

Subsidisation of Pacific visas

14. Feedback from the Minister of Foreign Affairs, the Ministry of Pacific Peoples and some stakeholders raised concerns about the impact of price increases on applicants from the Pacific. It was noted that increasing the price of visas would have a negative impact on Pacific family incomes and would also be inconsistent with the Government's commitments to support Pacific resilience and economic development.

15. In response to this feedback, we recommend that the Crown fully subsidise the across-the-board price increases that would otherwise apply to Pacific visas, i.e. Samoan Quota, Pacific Access Category, and limited work (Recognised Seasonal Employer) visa (i.e. RSE). This means that the fee and levy rates associated with these categories would remain unchanged. The estimated cost to the Crown of providing this subsidy is $4 million over two years.

16. The goal of these subsidies is to recognise the specific policy objectives of these particular visas, and New Zealand's special relationship with certain Pacific countries.

17. We also explored and discounted a possible option to have RSE employers absorb the cost of subsidising RSE visas, rather than the Crown bearing the cost of the subsidy. This option would involve increasing the *Approval to Recruit* fee by approximately 9 times, which would particularly impact on employers that recruit multiple times throughout the year. We consider this difficult to justify under the existing cost recovery framework and therefore it could be challenged.

18. As the existing fee discounts to applicants from the Pacific will continue to apply, we are not proposing to cap the price of other visas for Pacific applicants. For example, a student visa would cost $60 less than the New Zealand price ($375) if applying from the Pacific.

The attached draft Cabinet paper seeks agreement to new fee and levy rates that reflect the feedback and updated visa volume forecasts

19. We have prepared a draft Cabinet paper to seek approval to new immigration fee and levy rates. The new rates take account of the feedback from consultation as well as slightly modified assumptions about visa volumes and revenue (reflecting recent changes to the Government's plan to reconnect with the world). We have now been able to alter our volume assumptions for a few key products where INZ has been able to prepare updated forecasts (Visitor, Student, Skilled Migrant and Working Holiday Visas).

20. Across the board, the size of the recommended fee and levy increases has reduced compared to the indicative fee and levy rates we consulted on. Table 1 shows the scale of this reduction for key visa products (prices assume applying from New Zealand):

Table 1: Changes to recommended fee and levy increases

Visa category	Current price (fee + Levy + IVL[1]) ($)	Proposed price we consulted on ($)	Revised proposals ($)
eTA (Visitor)	45	60	60
Visitor	245	245 (capped)	245 (capped)
Working Holiday	280	535	460
Fee-paying student	310	455	410
Recognised Seasonal Employer	325	495	365 (subsidised)
Post-study work	495	845	700
AEWV (migrant check)[2]	595	780	755
Partnership – Work	635	1040	855
Partnership – Resident	1480	3255	2770
Skilled Migrant – Resident	3240	5000 (capped)	5000 (capped)
Entrepreneur	4140	8165	6880
Investor Migrant	5070	9450	7915

[1]If applicable; [2]only levy amount is changing

21. The draft Cabinet paper attached as Annex One proposes:

    a. Adjusting the mix of fees and levies to recoup a greater share of the costs of maintaining the immigration system from levies. This shift will better align the funding model with public sector cost recovery principles – that the type of charge used should reflect whether the benefits predominantly accrue to private users, a club of users or the wider public – Confidential advice to Government

    b. Increases to eTA fee, visa fee and immigration levy rates of 100%, 11% and 287%, respectively;

    c. Capping prices of visitor and skilled migrant visas and certain Pacific visa categories;

    d. That the Crown write-off both the remaining pre-COVID and COVID-related deficits totalling $164 million.

22. We anticipate that, taken together, these proposals will achieve the following outcomes:

    a. Ensuring that users of the immigration system are meeting an appropriate share of costs, and thereby contributing to maintain the capability of the immigration system;

    b. Creating the foundation for a more sustainable funding model, by shifting a greater proportion of costs from fees to levies Confidential advice to Government

    c. Ensuring the price of key Pacific visas remains the same for Pacific migrants, reflecting New Zealand's commitments to resilience and economic development in the Pacific;

    d. Keeping visa prices broadly in the range of comparable countries, including by capping the increases to visitor and Skilled Migrant Category visas – to mitigate the risk of prices deterring migrants from coming to New Zealand;

e. Increasing third party revenue by $87 million over two years, and reducing Crown-funded operating costs by $20 million over two years (which reflects the net impact of reducing the share of Crown funding in the immigration revenue mix, offset by the estimated cost to the Crown of the proposed caps and subsidies)

f. Reducing the total estimated eTA fee, visa fee and immigration levy deficits by $243 million.

Next steps: consultation and timeframes

The paper could be consulted with interested Ministers

23. We recommend consulting on the draft Cabinet paper with Ministers who have a portfolio interest in the fee and levy proposals:

- Minister of Finance
- Minister of Foreign Affairs
- Minister of Transport
- Minister of Customs
- Minister of Agriculture
- Minister of Education
- Minister for Economic and Regional Development and of Tourism
- Minister for Pacific Peoples

24. We have prepared a draft letter for you to send to the Minister of Foreign Affairs to explain how the draft Cabinet paper responds to feedback on the impacts of the initial proposed price changes on Pacific Migrants.

We will consult with interested agencies

25. In parallel to Ministerial consultation, we intend to consult with the Treasury, the Ministry of Foreign Affairs and Trade (MFAT), the Ministry of Transport, the Ministry for Primary Industries, the Ministry of Education, the Ministry for Pacific Peoples, the Ministry for Ethnic Communities, and the New Zealand Customs Service.

Timeframes for implementation

26. The table below sets out the current timeframes for the Cabinet paper:

Actions	Date
Ministerial and Agency consultation	Thursday 24 March to Wednesday 30 March
Feedback received and sent back to MBIE	Wednesday 30 March
Final paper and talking points provided to office	Thursday 31 March
Paper lodged with Cabinet Office	Thursday 31 March
Considered by Cabinet Economic Development Committee	Wednesday 6 April
Considered by Cabinet	Monday 11 April
Budget moratorium begins	Monday 11 April

27. The timeframe outlined above aims to get Cabinet policy decisions on the review ahead of Budget moratorium. This would ensure that new fee and levy rates could be implemented as close to the start of July 2022 as possible. At your Officials' meeting on Monday 14 March, we advised you that the July date was potentially no longer feasible. This is due to the significant operational pressures arising from the need to implement the 2022 Special Ukraine Visa and other time-critical changes to bring forward border re-opening dates.

28. As noted in our briefing to you on options for Step 5 of Reconnecting New Zealanders, deferring the implementation of new fee and levy rates until later in 2022 could assist with reducing the pressure on the immigration system from simultaneous changes [MBIE 2122-3134 refers].

29. INZ advises that 1 August is a feasible date for implementing changes to fees and levies. Although the change is not complex, it will affect a number of INZ systems all at once.

30. The Minister of Finance would need to agree to deferring implementation of fee and levy changes, as this is anticipated to result in forgone revenue of at least $4 million, depending on the extent to which potential migrants submit earlier applications to avoid the increases.

We will provide the Cost Recovery Impact Statement to your office separately

31. MBIE's internal Regulatory Impact Analysis Review Panel is still in the process of reviewing the Stage 2 Cost Recovery Impact Statement (CRIS) to determine whether it meets the Impact Analysis requirements. We will send the draft CRIS through to your office separately.

32. We plan to update the Cabinet paper and CRIS with any changes by 30 March, alongside any changes to the Cabinet paper recommended as a result of Ministerial and Agency consultation.

Annexes

Annex One: Draft Cabinet paper for consultation
Annex Two: Draft letter responding to the Minister of Foreign Affairs

Annex One: Draft Cabinet paper for consultation

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Free and frank opinions