



COVERSHEET

Minister	Hon Erica Stanford	Portfolio	Immigration
Title of Cabinet paper	Immigration Fee and Levy Review	Date to be published	9 August 2024

List of documents that have been proactively released		
Date	Title	Author
27 June 2024	Immigration Fee and Levy Review – final proposed rates ECO-24-MIN-0117 Minute	Cabinet Office
27 June 2024	Stage 2 Cost Recovery Impact Statement	MBIE
19 June 2024	Immigration Fee and Levy Review – final proposed rates	Office of the Minister of Immigration
2 May 2024	2324-2878 Immigration fee and levy review – targeted consultation report back	MBIE
2 April 2024	2324-2695 Targeted consultation material – Immigration fee and levy review	MBIE
2 April 2024	Immigration Fee and Levy Review	Office of the Minister of Immigration
27 March 2024	Immigration Fee and Levy Review ECO-24-MIN-0040 Minute	Cabinet Office
4 March 2024	2324-1491 Immigration fee and levy review proposed rates and draft Cabinet paper	MBIE
1 February 2024	2324-1757 Further information on refugee support activities and reallocating ESOL costs	MBIE
31 January 2024	2324-1685 Options to address refugee and protected person claim processing challenges	MBIE
21 December 2023	2324-1069 Further advice on fiscal sustainability options for the immigration system	MBIE
27 November 2023	2324-0932 Fiscal sustainability options for the immigration system	MBIE

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.

Some information has been withheld for reasons of international relations; confidential advice to government; legal professional privilege; negotiations; confidentiality; free and frank opinions; maintenance of the law; confidential information entrusted to the government; and privacy of natural persons.

Stage 2 Cost Recovery Impact Statement

Immigration Fee and Levy Review

Agency Disclosure Statement

This Cost Recovery Impact Statement (CRIS) has been prepared by the Ministry of Business, Innovation and Employment (MBIE). It identifies and analyses options for reducing the Crown's funding for the immigration system, while ensuring charges are fit for purpose and appropriately recovering costs. The approach is based on the cost recovery principle of equity – those who benefit from immigration services, or whose actions create risks (e.g. immigration non-compliance) that need to be managed, should meet the costs of providing those services.

The analysis in this CRIS is limited by uncertainty about future costs and revenue, including:

- *What future demand for visa products will be.* MBIE's forecasting of demand for visa products is still maturing. It was developed in parallel to the border reopening and reviewing immigration charges in 2022. It continues to be improved. COVID-19 and a slowing global economy has illustrated the potential for this demand to reduce as a result of external factors. Demand is also affected by changes to policy or operational settings. The forecasts for this review have been prepared with input from subject matter experts from across MBIE and other Government border agencies. In addition, we have sought to mitigate some of this uncertainty by applying a conservative assumption of 90% forecast volumes for allocating costs to fee and levy rates and for calculating revenue. The figure was selected to provide for a scenario where visa volumes were less than expected, based on Ministerial direction for a model that accounts for visa volume volatility and provides sustainable funding.
- *The future cost of providing immigration services.* The estimated future costs included in this review are based on current policy and operational settings, agreed capital investment plans for the immigration system, and an assumption that the current assessment and processing workforce is maintained over time. Inflation has been applied to the cost of all core immigration services, except for those that are funded by the Crown, which will be subject to separate policy decisions outside of this review. All of these factors are likely to change over time. For example, recent policy changes to the Accredited Employer Work Visa (AEWV) were not known at the outset of this review. In addition, it is anticipated that over time all visa products will be transitioned onto MBIE's "ADEPT" ICT platform to benefit from increased automation, but the
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For the purposes of this review we assume these future costs will be able to be managed within the level of estimated costs reflected, or otherwise will be reflected through future fee and levy reviews.
- *The allocation of costs to particular visa products.* This is the first review that has used MBIE's cost-to-serve model, which estimates and disaggregates the cost of assessment and processing activities to individual products. The model is in early stages of maturity and is highly reliant on workforce productivity assumptions for 23 visa product groupings that are used for operational workforce planning. Visa forecasts are prepared on a similar basis, aggregated into 68 product groups from a total of 700 variations, which are not a perfect match for visa products presented in the fees schedule in the immigration

regulations. Managing this has required MBIE to manually map products from the forecasts (where possible) to the list of products in the fees schedule, and to apply a judgement of whether the cost-to-serve estimates provided by the model are appropriate in every case. The mapping and judgements have been tested with operational staff who understand the immigration products and the required effort to process.

- *The impacts of fee and levy increases on the demand for visa products.* Neither MBIE nor the key stakeholders and agencies consulted are aware of any New Zealand literature on the price elasticity of demand for visa products. The experience of past fee and levy reviews and international studies¹ suggests that the responsiveness of demand is likely to be low for increases in fee and levy rates because it is a small component of overall costs. International literature and past experience has found that travellers and migrants are generally considered to be relatively insensitive to price changes (in-elastic demand), though this varies across migrants and product types. Under the recommended option, visa product prices remain only a small part of the cost of travelling or migrating to New Zealand, and the combined fee and levy rates that are proposed by this review are broadly comparable and competitive with our main international counterpart – Australia. Feedback from key stakeholders and government departments broadly supports our conclusions. Commissioning further research on price elasticities in the New Zealand context was not possible under the timeframe for this review, and we do not consider that it would materially change the outcome.

Overall, I do not consider the limitations outlined above prevent MBIE from providing advice to Ministers recommending changes to fee and levy rates. In this CRIS, MBIE identifies scaled options to reduce Crown expenditure for immigration system services and English for Speakers of Other Languages (ESOL) programmes in schools, paired with increasing the share of costs recovered from immigration system users. The recommended approach involves reducing the Crown's share of the costs of providing immigration system services from 22% to 9% (**Option 1B**) and reducing the Crown's share of the costs of providing ESOL programmes in schools from 100% to 20% (**Option 2C**). The reduction in Crown funding will be recovered from immigration system users through increased fee and levy rates. The recommended changes also address immigration system cost pressures and return fee and levy account balances to zero balances by the end of 2027/28. The exception is the NZeTA account, which is expected to reach a small deficit by the end of 2026/27. No change is proposed at this time due to uncertainty about the future balance.

We have undertaken targeted consultation with relevant stakeholders on the proposals in this CRIS. I do not consider that a broader consultation would materially impact the conclusions or recommendations in this advice.

Finally, the analysis in the CRIS does not account for the subsequent decision through Ministerial consultation for the Crown to further subsidise the Pacific Fee band – applying 25% of the proposed fee increases in this CRIS from 2024/25, and no further increases.



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Labour, Science and Enterprise, MBIE

18 June 2024

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

Executive summary

The purpose of regularly reviewing immigration fees and levies is to ensure that these charges are fit for purpose and appropriately recovering cost. An additional purpose of this particular review in 2024 was to reduce the Crown's funding for the immigration system, in line with the Government's fiscal objectives. MBIE has undertaken a fee and levy review to estimate the future costs of delivering immigration services and adjust the rates for immigration fees and levies to meet the following objectives:

1. **Reduce Crown expenditure for services** that could be met by users of the immigration system that benefit from or create the need for those services (except where there is a clear rationale for the Government to fund (e.g. the service contributes to the public good and legal authority in the Immigration Act 2009 (the Act) is not explicit).
2. **Recover costs over the next three years**, October 2024 (intended implementation date) to June 2027. This is the standard time period for a fee and levy review.
3. **Rebalance accounts towards zero balances over time** (ensuring that the immigration system is not over or under recovering costs from fees or levies).
4. **Account for uncertainty in visa product volumes and revenue.**
5. **Remain competitive with Australia's charges** (where feasible, ensuring costs are fully recovered).²

The overall cost of delivering immigration services is expected to increase. This is due to a range of cost pressures related to workforce, ICT, and increased demand for services, including a significant surge in asylum claims. Without adjusting fee and levy rates, fee and levy account balances would deteriorate, and MBIE would have insufficient funding to maintain delivery of immigration services without further Crown investment.

MBIE has framed options for the review around two sets of choices. These choices relate to how the costs of providing the following services are shared between the Crown and users of the immigration system (migrants or employers who pay immigration charges):

- immigration system services (such as visa assessment and processing or refugee services), which overall are currently funded almost one-quarter by the Crown
- English for Speakers of Other Languages (ESOL) programmes in schools, which are currently funded entirely by the Crown.

MBIE considers that the Act 2009 provides the legal authority for immigration fees and levies to fund the majority of these activities. Under the Act:

- **Immigration fees** can be used to cover the cost of processing visa applications. Fees can be prescribed for any matter or service (associated with visa decision-making and New Zealand electronic Travel Authority (NZeTA) requests) and in different ways, to recognise that services can vary in how they are provided (Section 393 of the Act).

² The objective 'remaining competitive with Australia's charges' means ensuring that New Zealand's prices are not significantly higher than those of Australia to continue to attract skilled workers, students and visitors.

- **Levy funding** can be used for a much wider range of specified activities. These can include maintenance costs of the immigration system, including system infrastructure such as ICT, managing immigration risks, supporting migrant settlement and the attraction of migrants. These are immigration system costs which cannot be directly attributed to a specific applicant. Only migrants applying for a visa (and not employers) can be charged a levy (section 399 of the Act).

MBIE has concluded from its assessment of the options within the two sets of choices that Crown expenditure on both sets of services could decrease, and that the share of costs recovered from immigration system users could increase. We recommend that for:

- Immigration system services – the Crown’s share of costs reduce overall from 22% to 9% **(Option 1B)**
- ESOL – the Crown’s share of costs reduce from 100% to 20% **(Option 2C)**

These options best address the review’s objectives. They ensure paying users of the immigration system meet the cost of the services they receive, while ensuring Crown funding remains to fund services that have public benefit – such as ministerial and refugee services.

These recommended options require increases in immigration fees and levies to recover the costs. Evidence from international studies³ and the last two decades of visa price increases indicates that the overall demand for visas is not very sensitive to changes in prices through fees and levies. We also note that the proposed increases are generally insignificant in the wider context of the costs of travelling to (which have increased over the last decade), settling in New Zealand and the benefits that migrants receive from coming to New Zealand.

Alongside agency level consultation, officials undertook a targeted consultation process with key stakeholders including groups representing the tourism sector, immigration professionals, international education, workers, businesses and employers. The feedback from this process was that the majority of stakeholders understood the rationale for the proposal to reduce Crown funding and that users of the system more fully meet the costs of the services for which they receive a benefit. Stakeholders expressed concern about the proposed size of the increase, emphasising the importance of transparent communications and the expectation of improvements in visa processing timeliness.

MBIE reports quarterly to the Ministers of Finance and the Minister of Immigration on visa volumes, revenue, and expenditure which provides a mechanism to monitor the impact of increased visa product charges. In addition, MBIE will develop a fiscal management plan for the immigration system from mid-2024 that aims to improve the scrutiny of proposals with financial implications or changes to baselines to manage any fiscal risk to the Crown. It will also ensure the effective and efficient use of resources and increase stakeholders’ confidence that immigration charges are reasonable.

Finally, immigration fees and levies are regularly reviewed (generally on a three-year basis) to ensure they are appropriately recovering costs. Confidential advice to Government

[Redacted text block]

³ There is limited research in New Zealand on the impact of fee and levy rate changes on migration and travel decisions.

Context and status quo

1. New Zealand's immigration system supports a range of Government objectives by:
 - a. supporting the economy and labour market with key skills and capital
 - b. enabling family reunification and maintaining family ties
 - c. contributing to meeting New Zealand's international and humanitarian commitments
 - d. supporting the security and integrity of New Zealand's borders.
2. The Ministry of Business, Innovation and Employment (MBIE) is the government agency responsible for administering the immigration system. This includes advice on, and implementation of policy settings, the provision of immigration services and management of immigration-related risks, and financial management.⁴

How New Zealand's immigration system is funded

3. The immigration system is comprised of:
 - a. core immigration services (\$521.3 million appropriated in 2024/25), including:
 - i. visa assessment and processing services⁵
 - ii. settlement services for migrants and refugees
 - iii. services to attract and inform migrants
 - iv. maintaining the integrity and security of the immigration system.
 - b. wider immigration services (\$15.2 million appropriated in 2024/25), including:
 - i. policy advice and research
 - ii. regulation of immigration advisers
 - iii. additional services to attract and support investor migrants (provided by New Zealand Trade and Enterprise (NZTE)).
4. These services are paid for, in large part, by fees and levies recovered from migrants and visitors to New Zealand. This recognises the benefits migrants receive, from activities like compliance, border and visa assessment and processing. Historically, third-party revenue has funded more than two-thirds of these costs, with fees contributing the largest share. **Table 3** on page 16 provides a more detailed breakdown of funding source for each of the components above for 2024/25.
5. Immigration fees and levies are chargeable under the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010 (the Regulations), made under sections 393, 399 and 400 of the Act.

⁴ Risk management includes but is not limited to; managing immigration fraud, breaches of visa conditions and serious instances of immigration non-compliance (ie migrant exploitation and people trafficking).

⁵ In this CRIS, the term "visa" is often used more generally to refer to any immigration-related application, request, appeal, status or approval relevant to applicants for a visa or entry permission.

6. Immigration fees and levies are collected for different purposes:
 - a. **Fees** are charged to individuals and organisations for assessing and processing visa product applications, requests for electronic travel authorities (NZeTAs), and other related services. Fees are product-specific and reflect the average direct and indirect costs incurred in assessing and processing each product type.
 - b. **The Immigration Levy** is charged to visa applicants only (organisations and employers cannot be charged the Immigration Levy) at the time of application, for a wide range of specified activities, such as managing immigration risks, supporting migrant settlement and the attraction of migrants. These are immigration system costs which cannot be directly attributed to a specific applicant. The amount of Immigration Levy payable depends on the category of visa being applied for.
7. The Crown also contributes funding to the immigration system in recognition of the public benefits it provides and that it supports the Government's international obligations related to refugees and those in humanitarian need.
8. Though these funding decisions are informed by the Act and cost recovery principles (see paragraphs 35-36 below), there is room for judgement and changes in these determinations over time.

Table 1: Overview of immigration system funding

Funding source and authority	2024/25 (\$m)	Scope of the activities
Crown – Cabinet	\$119.4m 22%	Primarily for refugee programmes, refugee settlement, border risk management, compliance, and policy advice.
Fees – Immigration Act 2009 – sections 393 and 400	\$265.4m 50%	Primarily for services provided for visa decision-making and NZeTA requests that directly benefit visa applicants
Levy – Immigration Act 2009 – sections 399 and 400	\$142.8m 27%	For specified activities such as maintenance costs of the immigration system, including system infrastructure, managing immigration risk and compliance (as outlined above) the attraction of migrants and supporting migrant settlement.
Other – out of scope of this review – including immigration adviser licensing fees and levies and funding from other government departments	\$6.5m 1%	Core operating costs of the Immigration Advisers Authority and miscellaneous services provided on behalf of (and funded by) other government departments

Further detail on the nature and structure of immigration fees and levies

9. The full range of matters for which fees are prescribed is set out in Schedule 4 in the Regulations. In addition to assessing and processing visa applications or requests for travel authority, there may be other related “matters” for which a fee is charged, such as reconsideration of a decision to decline an application or notification of an expression of interest to apply for a visa category that has a capped number of places each year (e.g., Parent Category residence visa).
10. There are also small number of products relating to applications or requests by employers and organisations. These mainly relate to where an employer is required to obtain a special status (e.g. employer accreditation) or approval (e.g. approval in principle to recruit overseas workers under foreign crew of fishing vessels instructions) before employing migrant workers.
11. In total, the Fee schedule includes fees for 66 different products or services which corresponds to almost 700 different products in INZ’s systems. For example, there are more than 45 different Working Holiday Schemes, but they all attract the same fee rate.
12. The fee rate that is payable for each product depends on the location and nationality of the applicant. The fee schedule has three “fee bands”:
 - a. New Zealand – if you are applying onshore
 - b. Pacific – if you are applying offshore and are the citizen of a Pacific nation
 - c. Rest of World – if you are applying offshore, but are not a citizen of a Pacific nation
13. Historically, the Pacific fee band has been set at a marginal discount to the other fee bands for some products to recognise New Zealand’s special relationship with Pacific nations.
14. Some assessment and processing services are not charged for, as authorised by the Act. Therefore, section 393(6)(a) provides for a degree of “averaging of costs or potential costs” in the setting of fees. Examples include:
 - a. **Certain persons are exempt from paying prescribed fees or levies.** These are listed under Schedule 5 in the Regulations, and include refugees, protected persons, and applicants for Refugee Family Support Category visas. These generally reflect prior policy decisions or international conventions, and in many instances are “paid for” by the Crown⁶. INZ also has some discretion to waive or refund fees (or levies).
 - b. **Some services have no set fee.** For example, interim visas, which allow an individual to stay in New Zealand if their visa expires while INZ assesses their application for another temporary visa, have no set fee because they are usually granted automatically and cannot be applied for.
15. The full range of Immigration Levy rates is set out in Schedule 6 of the Act. The rates are prescribed at different amounts for each category of applicants, as authorised under the Act (s.399(3)(c)). Rates are reflective of the relative amount of benefit received from the visa, and the ability of applicants to pay – resident visas attract a higher rate than temporary visas, and within each class of visa, higher rates are

⁶ Crown funding is not consistently provided for in all cases, and where it has been, the amount of funding is not always adjusted to fully recover these costs.

generally associated with longer duration visas and visas that derive income (work or skilled residence visas) or require investment (investor).

Financial management of fees and levies

16. MBIE monitors the balance of fee and levy revenue and offsetting expenditure in memorandum accounts⁷. These are a cost-recovery tool to support managing surpluses and deficits in revenue over time, so that over the medium-term fees and levies are neither over-recovering or under-recovering costs.
17. Regular cost recovery reviews ensure that fee or levy rates can be adjusted up or down as required to trend revenue balances back to zero. The empowering provisions for the setting of fees and levies provide sufficient flexibility for the recovery of historical deficits from future payers, on the condition that the amounts are reasonable and the under-recovered costs relate to activities authorised by Section 399(2) of the Act, including “the infrastructure required for, and operation of, the immigration system”. There is also precedent for this, such as the 2018 Immigration Fee and Levy Review.

Purpose of this review

Purpose 1: Ensuring immigration charges are fit for purpose and appropriately recovering costs

18. Generally, immigration fee and levy rates are reviewed every three years, in line with Treasury guidance.⁸ The last fee and levy review commenced in 2021, with new rates taking effect in August 2022. The focus of that review was to adjust the cost allocation model to better align with cost recovery principles and to reduce the shortfall in immigration funding that had arisen prior to COVID-19 and been exacerbated by the border closures [CAB-22-MIN-0121 refers].
19. At the time of the review, there was limited information about the future cost of providing immigration services – specifically about the relationship between total operating costs and individual visa products, and the volume of future visa product demand once borders re-opened. Immigration fee and levy rates were scaled across the board, rather than reviewing rates product by product. The size of adjustments made was conservative and intended to address half of projected shortfalls in fee and levy funding. Despite a surge in levy revenue following the 2022 fee and levy review due to over 100,000 2021 Resident Visa applications, the Levy account is expected to reach a deficit balance of \$89.4 million by 30 June 2024.
20. Crown funding was provided in the 2022 fee and levy review to subsidise the cost of some visas⁹ (\$19.549 million per annum) [CAB-22-MIN-0121]. The funding was provided so these visas could remain competitively priced with comparable countries (namely Australia), to support economic recovery from COVID-19, and to recognise the Government’s commitment to support Pacific resilience and economic development.
21. Immigration system costs are projected to increase and exceed appropriated funding in future years. Costs are estimated to be between \$105.1 million and \$178.9 million

⁷ The levy memorandum account is more technically referred to as a hypothecation account, since the revenue is not held separately by MBIE. Instead, it is held by the government centrally alongside taxation revenues, but tracked by MBIE to be hypothecated for spending under the scope authorised by the Act.

⁸ The Treasury (New Zealand). (2017). *Guidelines for Setting Charges in the Public Sector: April 2017*. <https://www.treasury.govt.nz/publications/guide/guidelines-setting-charges-public-sector>

⁹ Visitor visas, Skilled Migrant Category visas, and Pacific-focused visas (Pacific Access Category, Samoan Quota, Recognised Seasonal Employer)

higher per annum than the budgeted appropriations between 2024/25 and 2027/28. However, relative to the total appropriated funding for immigration system services in 2023/24 of \$627.7 million, these increases are much smaller (between \$14.9 million and \$65.0 million), reflecting a mismatch between time-limited funding and ongoing cost pressures.

22. The cost pressures relate to the following activities:

- a. **Workforce (and associated ICT)**, comprised of cost pressures across the following:
 - i. Visa processing, risk and verification, and identity workforces (and associated ICT and operating costs), due to direct workforce costs and overheads associated with increased visa volumes and greater processing complexity post COVID-19 - \$57.6 million per annum
 - ii. Determination of asylum claims, driven by a significant surge in claims - \$10.23 million per annum
 - iii. Compliance and investigation workforce, due to reports of exploitation having risen significantly since 2021 - \$5 million per annum
 - iv. Labour Inspectorate RSE compliance activities and joint employment-immigration migrant exploitation programme, due to a funding shortfall in RSE compliance and the need to respond to historically high levels of reports of migrant exploitation - \$2.83 million per annum
 - v. Public sector Career and Pay Progression (CAPP) increases, due to MBIE's current collective agreement expiring 1 July 2024 (immigration staff represent approximately 45 percent of the MBIE workforce) - **Negotiations**
[REDACTED]
 - vi. Active Investor Plus visa delivery, in order to address a shortfall in outyears funding for New Zealand Trade and Enterprise for attraction and aftercare services - \$1.29 million per annum from 2025/26
- b. **Maintenance and upgrades of INZ's systems**, comprised of cost pressures in the following functions:
 - i. ICT cost pressures, driven by rising ICT licensing costs for ADEPT and legacy systems, and **Confidential advice to Government**
[REDACTED]
 - ii. Allocated costs from MBIE corporate and support services, due to INZ bearing a greater share of MBIE corporate costs as the size of MBIE's overall workforce decreases - \$2.3 million per annum on average
 - iii. Sustainable funding for non-workforce costs (including CPI inflation), due to anticipated increases in costs over time due to inflation on non-workforce expenses – estimated to be approximately \$26.2 million per annum on average
 - iv. **Confidential advice to Government**
[REDACTED]
[REDACTED]
[REDACTED]

- c. **Settlement services** comprised of cost pressures in the following function:
- i. Welcoming Communities (migrant settlement and integration) initiative, due to delays created by COVID-19 in expanding the programme - \$1.05 million in 2024/25 only
23. Without adjusting fee and levy rates, fee and levy account balances would deteriorate, and MBIE would not have sufficient funding to be able to maintain delivery of immigration services without further Crown investment.
24. **Figures 1-3** illustrate the projected fee and levy account balances based on anticipated volumes and cost pressures (discussed in more detail in the following sections). The Immigration Levy and NZeTA fees accounts are both expected to reach negative balances by 30 June 2028, including just under \$359 million in the Immigration Levy account. On the other hand, the Visa fee account is projected to reach a positive balance of just over \$99 million by 30 June 2028.
25. A key factor behind the significant projected deficit in the Immigration Levy, besides cost pressures, is the policy direction taken in the 2022 Review. Cabinet agreed to reduce the share of immigration costs covered by the Crown and visa fees, and conversely to increase the share of costs covered by Immigration levies. However, Cabinet agreed to only increase levy rates by an amount that would only meet half of the projected shortfall in the immigration levy account. This was due to significant uncertainty about the future demand for visas, in the context of New Zealand’s border re-opening, after it had been closed in response to the global COVID-19 pandemic.

Figure 1: Projected immigration visa fee account balance under the status quo (\$ millions, as at 30 June)

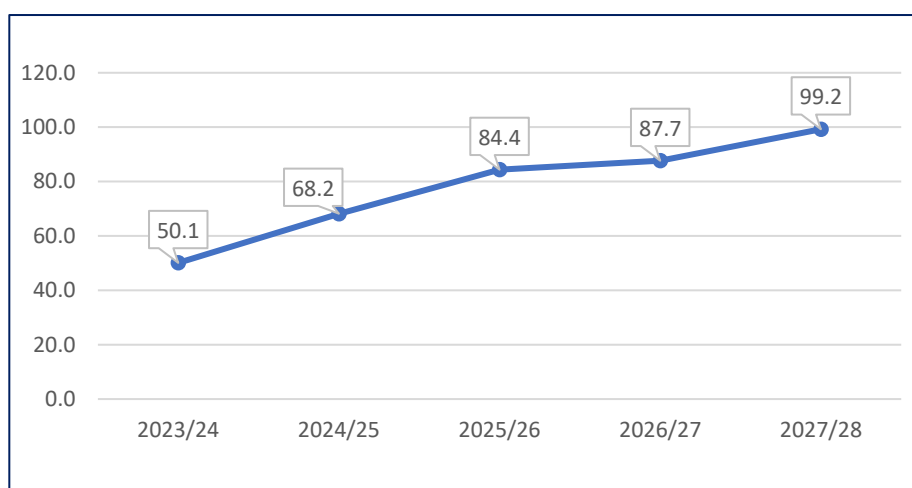


Figure 2: Projected NZeTA fee account balance under the status quo (\$ millions, as at 30 June)

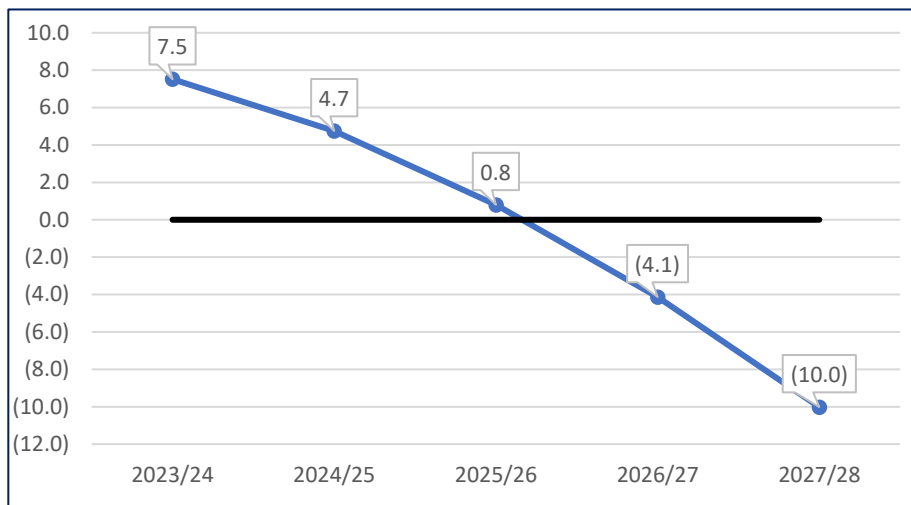
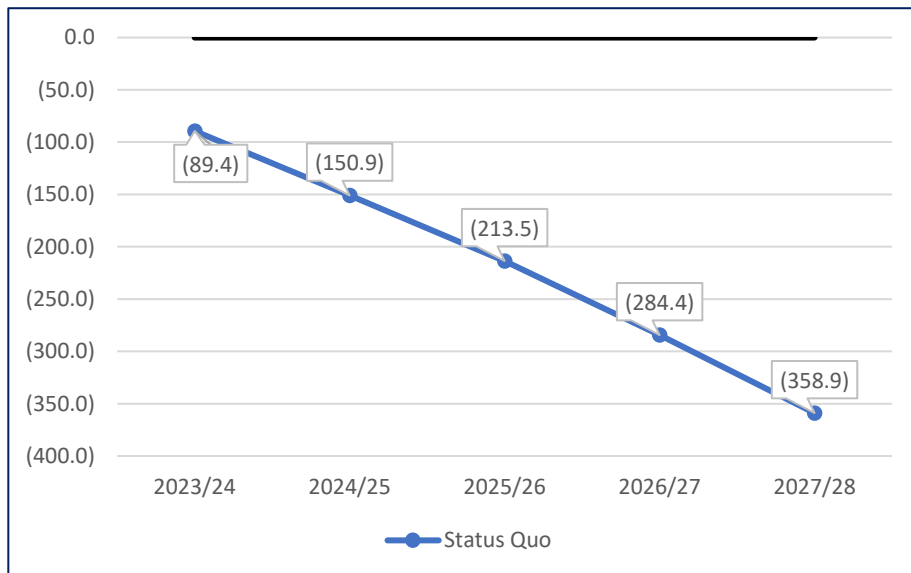


Figure 3: Projected immigration levy account balance under the status quo (\$ millions, as at 30 June)



26. There is an opportunity to ensure that projected cost increases are met, and the system is funded sustainably by resetting fee and levy rates. Adjusting fee and levy rates would also enable the Government to address the accumulated surplus in the fees accounts and accumulated deficits in the levy account.

Purpose 2: Reducing Crown expenditure

27. A priority for the Government is that the immigration system is more efficient, self-funding and sustainable. Additionally, the National Party’s Fiscal Plan set out an intention to make Crown savings of around \$123 million a year from the immigration system.

28. The Crown currently contributes funding of \$119.4 million (just under one quarter) towards the cost of operating the immigration system, primarily for refugee programmes, refugee settlement, border risk management, compliance, and policy advice.

29. In addition, the Crown currently funds ESOL programmes in schools (this is referred to as “ESOL” hereafter) with \$62.9 million per annum funded in Vote Education. Many of these activities can be considered ‘club goods’, in that they provide benefits to, or manage risks created by, a broader group of migrants.¹⁰
30. The Government has taken a decision to remove most of the \$19.6 million Crown funding provided through the 2022 Review to subsidise the price of visitor, skilled migrant and Pacific visas [CAB-24-MIN-0109 refers]. The subsidy for visitor and skilled visas is being removed because visa volumes have rebounded quicker than forecast and the immigration fees memorandum account is in a surplus position, meaning there is less need for Crown funding. Subsidies to fee rates for three Pacific visas will remain (Recognised Seasonal Employer, Pacific Access Category and Samoan Quota), at a cost the Crown of approximately \$1.2 million per annum.
31. A fee and levy review is the appropriate mechanism to review the immigration funding model to identify Crown-funded activities that could be more fully funded by users of the system. The approach is based on the cost-recovery principles of equity and fairness – those who benefit from immigration services, or create risks, should meet the costs.
32. As set out in paragraphs 5-17, the authorising provisions in the Act are relatively broad, providing a degree of flexibility about how costs are allocated.
33. Cost recovery principles for setting public sector fees and charges are also relevant.¹¹ The guidance states that a robust cost recovery regime should be consistent with key principles and should, where possible, aim to minimise cross-subsidisation.
34. This means that changes can be made to the way costs of the immigration system and other related services (i.e. ESOL) are allocated to users of the system and the Crown within the parameter of cost-recovery principles, which are outlined below.

Cost Recovery Principles and Objectives

Cost recovery principles

35. Our approach to this fee and levy review is consistent with the best practice cost recovery principles outlined in guidelines for the setting of fees and charges in the public sector provided by the Treasury.¹² The guidance states that a robust cost recovery regime should be consistent with key principles.
36. The table below sets out the cost recovery principles and describes how they have informed the analysis of this review.

¹⁰ The Treasury (New Zealand). (2017). *Guidelines for Setting Charges in the Public Sector: April 2017* outlines the difference between private, club and public goods.

¹¹ The Treasury (New Zealand). (2017) and the Office of the Auditor General (2021). *Setting and administering fees and levy for cost recovery: good practice guidance*.

¹² The Treasury (New Zealand). (2017). *Guidelines for Setting Charges in the Public Sector: April 2017*. <https://www.treasury.govt.nz/publications/guide/guidelines-setting-charges-public-sector>

Table 2: Cost recovery principles and application to the immigration system

Cost recovery principles	How the principles have been considered in this review
Equity	<p>Costs associated with the direct provision of immigration services (private goods) or the maintenance of the immigration system, migrant settlement support and management of risks associated with migration (club goods) are fully recovered from fee and levy payers. Costs that relate to public goods are met by the Crown (refugee services and Ministerial servicing).</p> <p>Cost recovery is managed through memorandum (or hypothecation) accounts. Inter-temporal equity is achieved by aiming to reduce sustained deficits or surpluses and for immigration accounts to balance to zero overtime.</p> <p>As much as possible, the difference in fee rates between visa categories should reflect the difference in processing effort, to minimise cross-subsidisation.</p>
Transparency and consultation	<p>Fees and levies for applications are fixed in visa regulations and charged at the point of application.</p> <p>MBIE consults on significant changes to immigration charges and provides information how visa fee and levy rates are set.</p>
Efficiency	<p>Fees and levies should reflect the underlying costs of efficiently delivered services. This relies on having good understanding of and information about the costs of the activities that are being charged for and the relationship to cost drivers.</p>
Simplicity	<p>Fee rates are set based on the direct and indirect costs associated with assessment and processing for visa products (as per Schedule 4 of the Visa Regulations).</p> <p>Levy rates are set at broader visa categories (as per Schedule 6 of the Visa Regulations) to reflect that costs are not directly attributable to visa applicants.</p>
Accountability	<p>Immigration fees and revenues are scrutinised as a part of its public sector financial accountability arrangements.</p> <p>MBIE monitors and reports quarterly to the Minister of Finance and the Minister of Immigration on visa volumes, revenue and expenditure which provides a regular accounting mechanism.</p>
Effectiveness	<p>Fees and levies should reflect the underlying costs of providing an effective immigration service. This relies on having a good understanding of, and information about, the costs of activities, cost drivers, and operational performance. Fees and levies are not set at a rate that creates a barrier to migration or undermines policy objectives, including to attract skilled migrants and support family migration.</p>

Objectives of cost recovery proposal

- 37. The following objectives have been set for this fee and levy review to provide greater clarity on what it means to meet the two purposes outlined above:
 - a. **Reduce Crown expenditure for services** that could be met by users of the immigration system that benefit from or create the need for those services (except where there is a clear rationale for the Government to fund (e.g. the service

contributes to the public good and legal authority in the Immigration Act is not explicit)).

- b. **Recover costs over the next three years**, October 2024 (intended implementation date) to June 2027. This is the standard time period for a fee and levy review.
 - c. **Rebalance accounts towards zero balances over time** (ensuring that the immigration system is not over- or under-recovering costs from fees or levies).
 - d. **Account for uncertainty** in visa product volumes and revenue.
 - e. **Remain competitive with Australia's charges** (where feasible, ensuring costs are fully recovered).
38. These objectives also serve as the criteria for assessing options, with the addition of the cost recovery principles as secondary criteria. **Figure 4** below summarises the purpose, objectives and criteria for this review.

Figure 4: Summary of purpose, objectives and criteria for this review

Purpose:

- Ensuring immigration charges are fit for purpose and appropriately recovering costs
- Reducing Crown expenditure

Objectives:

- Reduce Crown expenditure for services that could be met by users of the immigration system
- Recover costs over the next three years, October 2024 (intended implementation date) to June 2027
- Rebalance accounts towards zero balances over time
- Account for uncertainty in visa product volumes and revenue
- Remain competitive with Australia's charges (where feasible, ensuring costs are fully recovered)

Secondary criteria (cost recovery principles):

- Equity
- Transparency and consultation
- Efficiency
- Simplicity
- Accountability
- Effectiveness

Scope of this fee and levy review

39. The scope of this review is limited to considering changes to the allocation of costs between the Crown, immigration fee and levy payers, and the setting of immigration fee and levy rates. The following areas are out of scope:
- a. Changes to the licensing fees and levies paid by immigration advisers. The current rates and expected revenue are taken as given.
 - b. Changes to legislative settings. For example, we have not considered whether the pool of levy payers could be broadened.

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

Overview of immigration services and current funding source

40. A central part of this fee and levy review was identifying areas of Crown funding within the immigration system that could more appropriately be recovered from users of the immigration system.
41. Overall, the immigration system is funded by a combination of Crown (22 per cent), levy (27 per cent), fees (50 per cent) and other revenue (1 per cent), as set out in **Table 3**, and is consistent with cost recovery principles. This reflects adjustments made in the 2022 Review to increase the share of costs covered by third parties (through immigration fees and levies), especially levy payers.

Table 3: Current funding of immigration system activities (2024/25)

Activity	Fee-funded	Levy-funded	Crown-funded	Other	Total
Assessment and processing services relating to visa products, including risk assessment and verification activities	74%	23%	2%	0%	100%
Maintaining the integrity and security of the Immigration System , including compliance, investigations, and border security	0%	56%	44%	3%	100%
Settlement services for migrants and refugees , including refugee programmes, wider settlement and pastoral care services, and processing asylum claims	0%	6%	91%	3%	100%
Services to attract and inform migrants , including information and education activities	0%	80%	8%	12%	100%
Total core immigration services	51%	26%	22%	1%	100%
Policy advice and ministerial services , including research	0%	26%	74%	0%	100%
Regulation of immigration advisers by the Immigration Advisers Authority	0%	37%	12%	51%	100%
Investor migrant attraction and support services provided by New Zealand Trade and Enterprise	0%	100%	0%	0%	110%
Total wider immigration services	0%	38%	48%	7%	100%
Total immigration system services	50%	27%	22%	1%	100%

Immigration related activity: ESOL programmes in schools

42. Beyond the immigration system, MBIE also identified Crown funding for ESOL as an immigration-related activity that could more appropriately be funded by users of the immigration system. Currently ESOL is a 100 per cent Crown-funded service.
43. The rationale for considering ESOL rather than other, more generic public services (such as health care) includes that:
 - a. **a learner’s need for ESOL support is directly linked to their migrant background** – 52 per cent of learners receiving ESOL support are migrants and 45 per cent are New Zealand-born children with at least one migrant parent
 - b. **Immigration levy funding has been used to meet ESOL costs in the past.** This is enabled under section 399 of the Immigration Act 2009, as it relates to the “provision of programmes intended to assist the successful settlement of migrants or categories of migrants”. Most recently, in 2017, four years of funding from the immigration levy for ESOL was approved by Cabinet. This provided \$2.45 million per year until the end of 2020/21, at which time the limited pool of Levy funding was redirected towards other immigration settlement priorities.
44. Including choices around ESOL in this review is appropriate (despite technically being outside of the immediate immigration system activities) because ESOL is a service that helps migrants settle in New Zealand (falling within scope of the Immigration Levy).
45. MBIE has framed options for this review around how the costs of providing immigration system services and ESOL are shared between the Crown and users of the immigration system (migrants or employers who pay immigration charges).

Choice 1: What share of the costs of providing immigration system services should be funded by the Crown?

46. MBIE has assessed the viability of reducing the Crown’s share of costs in the immigration system (summarised in **Table 3** above), and increasing the share of costs recovered from system users. This initial assessment included consideration of:
 - a. **Legal authority to charge users for these costs under the Act;** specifically section 393 for activities related to visa product assessment and processing (directly attributable to an applicant – i.e., a private good) or section 399 for specified activities (such as maintenance costs of the immigration system, including system infrastructure, managing immigration risks, the attraction of migrants and supporting refugee and migrant settlement) that are broadly attributable to users of the immigration system as a whole.
 - b. **Justifiability of charging users** – driven by the principle that those that benefit from the service (e.g. settlement services) or create the need for the service (e.g. compliance activities) should bear the cost.
 - c. **Risk of legal challenge** (with reference to cost recovery principles and guidelines).
47. The initial assessment (summarised in **Annex 1**) confirms that legal authority under the Act exists to charge third-party users for many of these activities, and therefore reduce Crown funding. The authorising provisions in the Act are broad, providing flexibility about how costs are allocated, and many of these activities benefit or are necessary to manage the risk generated by particular visa applicants or a wider club of visa applicants.

48. MBIE has identified three different levels¹³ of Crown funding for immigration system costs, based on this assessment. Under each sub-option, any expenditure not covered by the Crown would be recovered from users of the immigration system, through fees or levies, whichever was most appropriate for the activity (e.g., visa fees for activities directly relating to visa assessment and processing). The sub-options are:
- a. **Option 1A: Crown continues to fund 22% of immigration system costs.** This reflects the status quo allocation captured in Table 3.
 - b. **Option 1B: Crown funding of immigration system costs reduces from 22% to 9% (recommended).** This would be offset by an increase in the share of costs recovered from fees and levies, from 77% to 90%. Crown funding would remain for refugee services and 15% of policy advice and related services to Ministers¹⁴, which relates to Parliamentary accountability requirements because these activities have public benefits. Other funding would continue to cover 1% of costs.
 - c. **Option 1C: Crown funding of immigration system costs reduces from 22% to 1%.** This would be offset by an increase in the share of costs recovered from fees and levies, from 77% to 98%. Crown funding would remain for 15% of policy advice and related services to Ministers, which relates to Parliamentary accountability requirements. Other funding would continue to cover 1% of costs.

Choice 2: What share of the costs of providing ESOL programmes in schools should be funded by the Crown?

49. MBIE also identified that legal authority exists as per section 399 of the Act to recover some of the cost of providing ESOL from levy payers (the majority of recipients are from a migrant background). Historically, a portion of the costs of ESOL has been funded by the Immigration Levy, as part of wider settlement support to new migrants. However, in recent years this has been fully Crown funded.
50. MBIE identified three different levels of Crown funding for ESOL costs, based on key facts about the composition of students that receive this support. Under each sub-option, any expenditure not covered by the Crown would be recovered from users of the immigration system through levies:
- a. **Option 2A: Crown continues to fund 100% of ESOL costs.** This reflects the status quo.
 - b. **Option 2B: Crown funding of ESOL reduces to 50%.** This broadly reflects the current proportion of students receiving ESOL support in the compulsory school sector that are migrants (52 per cent).
 - c. **Option 2C: Crown funding of ESOL reduces to 20% (recommended).** This broadly reflects the current proportion of students receiving ESOL support in the compulsory school sector that are from migrant background families (97 per cent).

¹³ These percentages reflect the share of costs based on the composition of services appropriated for 2024/25. The share of costs varies marginally in future years, depending on the composition of services provided. For example, an increase in refugee services in one year would marginally increase the Crown's share of costs.

¹⁴ This is equivalent to 20% of the Crown's share of costs for policy advice and related services.

Further adjustments to the allocation of costs between fees and levies

Reducing previous Crown subsidies for specific visa products

51. The Government has decided to remove \$18.4 million of Crown funded subsidies for visitor visas and skilled migrant visas.

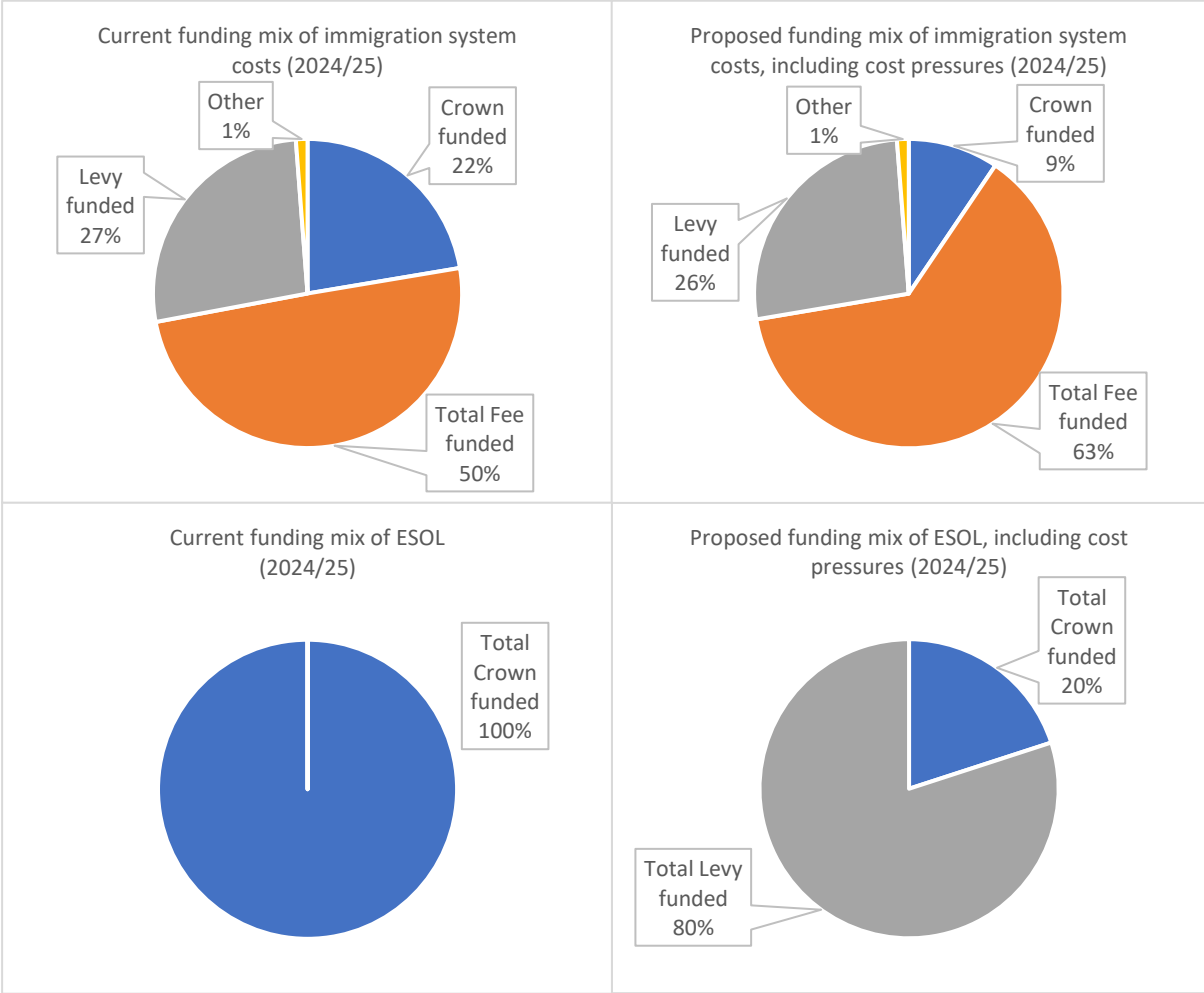
Further technical adjustments to the allocation of costs

52. The review also identified opportunities to change how costs are allocated between fees and levies for the following sub-activities to better align with cost recovery principles and provisions in the Act:
 - a. **Increasing the share of ICT costs funded by fees:** Immigration operates three main ICT systems. The costs of the two legacy systems (IGMS and AMS) are more fixed, and therefore using a higher portion of levy funding for these systems is consistent with the scope of the levy (section 399 of the Act – infrastructure and operation of the immigration system). The ADEPT platform operates as software-as-a-service and the costs are variable because of being linked to visa product volumes. It is therefore more appropriate that a higher portion of ADEPT costs are fee funded.
 - b. **Shifting risk and verification activity costs from levy to fee:** A review of assessment and processing services identified that some risk and verification activities were being funded by the Immigration Levy. They are directly attributable to visa product applicants, and therefore more appropriately recovered through fees under section 393 of the Act.

Combined implications for the composition of funding

53. **Figure 5** illustrates the total changes proposed to the funding model for immigration system costs and ESOL based on reducing the Crown's share of the costs of providing immigration system services from 23% to 10% (**Option 1B**) and reducing the Crown's share of the costs of providing ESOL from 100% to 20% (**Option 2C**). The assessment of options for this review, and the reasons for MBIE's recommendations, is presented in a later section.

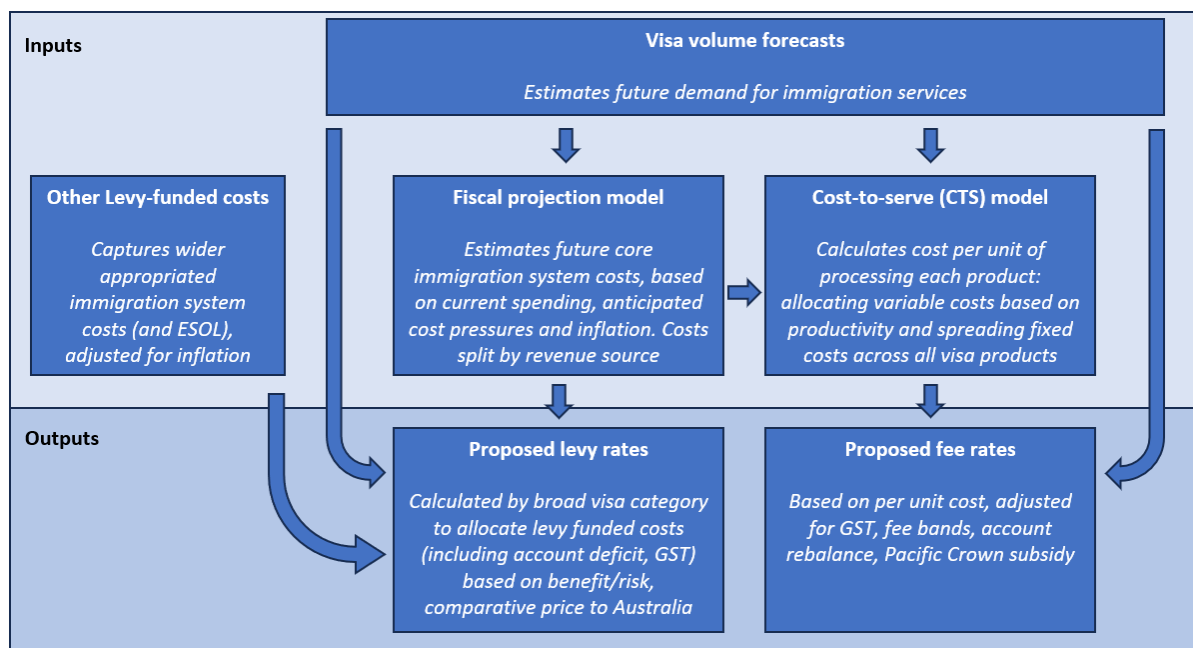
Figure 5: Proposed changes in funding composition for immigration system and ESOL



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

54. MBIE has calculated the level of fee and levy charges necessary to recover all costs not funded by the Crown. **Figure 6** summarises the approach taken by MBIE, which has been informed by the fiscal projection model for the immigration system and the cost-to-serve (CTS) model.

Figure 6: Summary of approach to calculating proposed charges



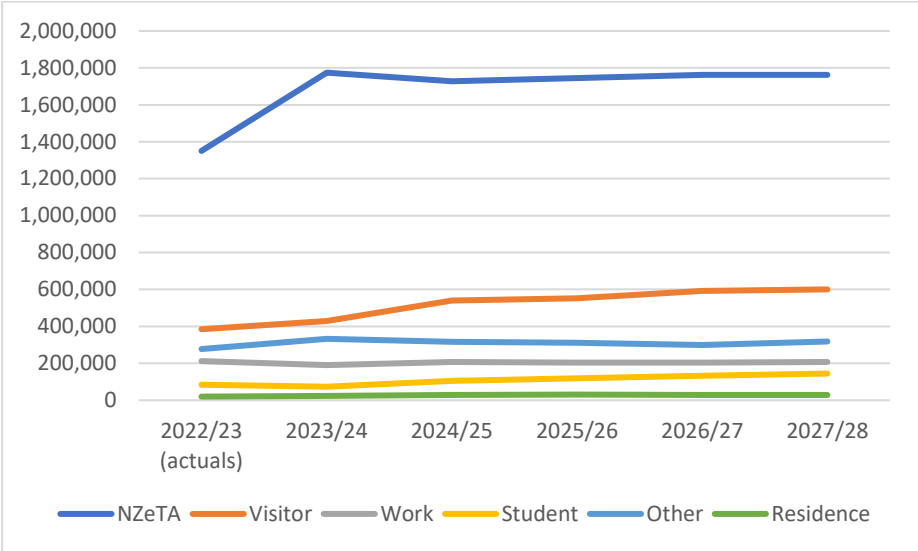
Calculating the future costs of immigration activities

Component 1: Expected future demand for immigration services – forecast visa product volumes

55. In preparation for the border reopening in mid-2022, MBIE established a visa volumes (and revenue) forecast function. The visa product volume forecasts are based on a statistical model using previous trends (including seasonal trends such as visitor visa peaks over the summer period). Manual adjustments can be made to account for changes in policy settings or market change may affect demand for visa products (informed by subject matter expertise from operational and policy staff). Forecasts are reviewed and updated on a quarterly basis.
56. The forecasts are across all visa products – a total of more than 900 variations. The forecasts have been grouped into 68 groups to make it simpler for modelling (and workforce planning) to produce a separate forecast for each visa product group. One of the 68 product groups is “other” made up of several products that are low in volume and mostly have no fee or levy charged for them.
57. The visa product groupings used for forecasting are a summarised form of the visa categories in the fee and levy schedules set in immigration regulations. To ensure accuracy, manual mapping to the visa schedule has been completed and reviewed by INZ’s forecasting and operational policy teams.
58. The limitations of this mapping process (discussed further in paragraphs 81-82), include some products where mapping was not possible within resource and time constraints, or historical composition (e.g., to distinguish between crew and traveller NZeTAs).
59. **Annex 2** provides a summary of the key visa product application forecasts (those that are the most material in terms of volumes and revenue as well as those of particular interest to stakeholders, including the NZeTA) from 2023/24 to 2027/28, compared with 2022/23 volumes. This is also shown in **Figure 7** below.

60. Overall, volumes are expected to remain relatively stable over the next four years, with a minor increase of around one to two per cent in 2025/26 and 2026/27. The increase is primarily driven by expected growth in visitor and student visas. Some of the key assumptions are set out in **Annex 3**.

Figure 7: Projected visa volume demand



Component 2: Fiscal projection model based on current expenditure

- 61. MBIE’s five-year fiscal projection model estimates the total future costs of the core immigration system activities outlined in **Table 3** on page 16 and splits these costs into relevant funding sources (fee, levy, and Crown).
- 62. The model takes the current forecast expenditure of relevant MBIE business groups for 2023/24 as at September 2023 and projects this across the next four financial years (2024/25 to 2027/28). The future projection accounts for agreed capital investments, identified cost pressures, and inflation (except for activities that are funded by the Crown).
- 63. A key assumption in the model is that INZ’s assessment and processing workforce will remain at current levels (discussed further in paragraph 66 below).
- 64. The projection includes the cost pressures set out in paragraphs 21 and 22.

Component 3: Cost-to-serve model

65. The purpose of the cost to serve (CTS) model is to allocate the cost of visa processing (except any activities that are intended to be funded by levy-payers or the Crown) to products that are charged for, resulting in a "cost-to-serve" that reflects the direct and indirect cost of processing one application of a given visa product.

- 66. First, the CTS model calculates the total workforce requirements and direct costs for visa processing of products that are charged for. The estimated number of immigration officers required is based on processing productivity (the number of applications one immigration officer can process in one day) volume of visas, then scaled up to match the processing workforce predicted by the Fiscal projection model.¹⁵ The estimated number of support staff required is based on a fixed ratio of supporting roles (e.g., risk and verification) to the number of immigration officers.
- 67. Second, all other indirect costs of visa processing from the fiscal projection model (ICT, contact centre, property etc) are allocated to each visa product based on volume. This results in a flat allocation of overhead costs to each visa application.
- 68. To arrive at the CTS, the total cost for each visa product (direct workforce plus indirect costs) is divided by the volume of applications for that visa product.

Component 4: Other levy-funded costs

- 69. The estimated future costs of core immigration services in the fiscal projection model are supplemented by the cost of wider immigration services. These are based on existing appropriated funding and cost pressures.

Summary of costs under recommended option

- 70. Based on these four components and MBIE’s recommended options for the two choices above, total immigration system and ESOL costs are expected to increase from \$703.1 million in 2024/25 to \$737.2 million in 2026/27, as shown in **Table 4** below. **Annex 4** provides a more detailed breakdown of these costs by broad activity area.

Table 4: Summary of total future immigration system and ESOL costs (\$ millions)

Funding source	2024/25	2025/26	2026/27	2027/28
Crown ¹⁶	73.1	71.3	65.2	65.2
Fee – visa	379.8	394.1	409.1	422.2
Fee – NZeTA	23.1	23.3	23.4	23.4
Immigration Levy	219.7	226.5	232.6	237.8
Other	7.4	7.0	6.9	7.0
Total expenditure	703.1	722.2	737.2	755.6

Other factors that have informed the proposed fee and levy rates

Accounting for uncertain visa volumes (and revenue)

- 71. One risk to manage is fluctuating visa volumes (and revenue). This is important given the high level of fixed or semi-fixed costs in the immigration system – approximately 70 per cent are workforce and ICT costs. The experience of the immigration system through COVID-19 has shown that these costs can be difficult to reduce. Crown capital injections totalling \$439 million were required to maintain services ahead of the reopening of New Zealand’s borders.

¹⁵ This is necessary to account for processing workforce allocated to products that are not charged for. It also reflects an operational decision to maintain the existing size of INZ’s processing workforce in response to growing immigration demand and risks.

¹⁶ This includes Crown funding for ESOL programmes in schools

- 72. This risk has been managed in the proposed charges by provisioning for a revenue contingency – although future costs have been calculated based on the visa volume forecasts, the number of payers is assumed to be only 90 per cent of forecast.
- 73. This is considered appropriate given the current economic context and both recent and upcoming changes to policy settings (particularly the AEWV) to manage current high levels of net migration. This means that if visa volumes are between 90 per cent and 100 per cent, there will be sufficient revenue to cover projected expenditure as per the fiscal projection model.
- 74. MBIE will continue to monitor visa volume forecasts and actual volumes of applications. Further reviews every three years means that where volumes are higher than anticipated, the next review will enable fees and levies to be reduced accordingly.

Rebalancing immigration fee and levy accounts

- 75. In addition to recovering all costs not funded by the Crown through fees and levies as summarised in **Table 4** and paragraph 70 above, this review proposes further adjustments to rates to return fee and levy accounts to zero balances.
- 76. Based on the costs and funding reallocations proposed in the preceding sections, as at 30 September 2024 (implementation date assumed to be 1 October), the Visa and NZeTA fees account will be in surplus, suggesting over-recovery in the past, while the levy account is projected to be in deficit, suggesting under-recovery in the past. These projected balances are shown in **Table 5** below.

Table 5: Projected account balances, as at 30 September 2024, after accounting for cost pressures and reallocations of funding

Memorandum accounts	\$ millions
NZeTA fee	6.3
Visa fee	27.0
Immigration Levy	-122.2

- 77. MBIE proposes to rebalance the visa fee and levy accounts over four years. This is longer than the three-year period used to calculate the main component of fee and levy rates for each product. This provides for a smoother, more equitable adjustment to rates with less impact on individual payers.
- 78. MBIE proposes not to rebalance the small surplus in the NZeTA account. This is consistent with the proposal (discussed further in paragraph 85 below) to make no adjustments to NZeTA prices, despite the expectation of a small deficit balance accumulating in the account by the end of 2026/27. That proposal reflects the relatively small size of the expected deficit, and assurances provided during consultation that the price was unlikely to change.

Method for calculating fee and levy rates

Calculating fee rates

- 79. The proposed fee rates have been calculated for each visa product in the fee schedule (Schedule 4) in the Regulations.

80. The per unit “cost-to-serve” described in paragraphs 65-68 forms the basis of most fee rates, as it reflects the price required to recover all fee-funded costs associated with assessment and processing activities of each product.
81. The CTS modelling uses the same product groups as the visa volume forecasts. A limitation is that it does not perfectly align with the structure of the fee schedule in the visa regulations. The mapping has been the approach to manage this. MBIE could consider revising its visa groupings for forecasting to simplify the approach in future.
82. A manual mapping exercise was undertaken to align the visa volumes and cost-to-serve estimates for each product group with the individual visa products in the fee schedule. In some cases, there were multiple products in the fee schedule captured by one product group. In other cases, there were multiple product groups that are covered by the same visa product in the fee schedule. The manual mapping was not comprehensive and focused on visa products with significant volumes or prices. It was reviewed by INZ’s Operational Policy Team (experts in visa products) and Planning and Reporting Team (responsible for visa volumes forecasts) to confirm accuracy.
83. Then fee rates were adjusted to account for:
 - a. rebalancing of the fee memorandum account to a zero balance over four years
 - b. maintaining discounts on Pacific applications (fee band B) – applying a fixed discount of 10 per cent for relevant resident visas and 15 per cent for relevant temporary visas (and adjusting up the New Zealand (fee band A) and Rest of World (fee band C) prices accordingly, to ensure revenue will be sufficient to cover costs)
 - c. GST which is chargeable on applications made in New Zealand (fee band A), by increasing prices across all three bands sufficiently to ensure GST-exclusive revenue will be sufficient to cover costs. This supports the objective of keeping the fee schedule simple.

Exceptions to the cost-to-serve rate

84. While fees for most visa products were set based on the approach above, there are exceptions. No change to the current visa rate is proposed for some visa products where:
 - a. there is no specific CTS rate available because volumes could not be readily mapped (INZ operational teams confirmed these products are low volume and largely administrative)
 - b. the current rate more accurately reflects the level of visa processing productivity informed by INZ operational subject matter experts.
85. The NZeTA CTS was marginally higher than the current price. Without increasing the price, a small deficit balance (-\$4.1 million) will accumulate by 2026/27. MBIE proposes to maintain the current rate to minimise change on applicants at this time, given the small size of the projected deficit. This also reflects assurances made during consultation that the price was unlikely to change, because initial modelling suggested existing prices would sufficiently cover costs.
86. A list of exceptions to setting fee rates based on the cost-to-serve rate is included in **Annex 5**.

Calculating levy rates

87. The Act provides considerable flexibility in how levy rates are set and allows for some cross-subsidisation between visa categories that reflects setting “different amounts or methods of calculation of the levy in respect of different categories or classes of applicants.”
88. The proposed levy rates were calculated for each of the broad visa categories included in Schedule 6 of the Regulations, as follows:
 - a. Accounting for the relative benefits received and/or cost generated for each broad category and (to a lesser extent) ability to pay – resident rates higher than temporary rates, higher temporary rates with clearer pathways to residence.
 - b. Reflecting comparability with the relevant Australian price (as discussed above, guiding parameters were 100 per cent of Australia’s charges), after taking fee rates into account (to fully recover visa assessment related costs that are directly attributable and keep total costs reasonable).
 - c. Fully recovering immigration system and ESOL costs that are intended to be funded by the immigration levy , including trending toward a zero levy account balance by 30 June 2028 to minimise the impact on users. Extending the recovery period for fully recovering the costs to June 2028, allows for a lower annual spread of the contribution by future payers for past deficits.
89. Proposed levy rates for Pacific-focused categories – Recognised Seasonal Employer, Pacific Access Category, Samoan Quota, and Pitcairn Islanders – are set at zero. This reflects a judgement that the fee rate increases (prior to subsidisation) were relatively significant, and these payers likely have less ability to pay than other payers.
90. Some minor changes to the structure of levy rates are made, compared to what is currently included in Schedule 6. These changes were made to remove unnecessary distinctions (visitor visa: retirement category), or expired products (resident visa—2021 Resident Visa), as well as include splitting up some categories to provide for more specific levy rates to be set, given comparability to Australian prices (Family Category – Dependent Child; Post-study work).

Limitations to the approach for setting fee and levy rates

91. A further limitation is that forecast visa product volumes and revenue includes visa applicants that may be waived, refunded or exempted from paying charges due to regulatory settings or administrative decisions. This could result in less revenue being collected than anticipated, which would increase the risk that costs are under recovered.
92. These limitations highlight the need to ongoing monitoring and continuous improvements to modelling ahead of the next review of immigration fees and levies. These matters are discussed further below.

Proposed fee and levy rates

93. Detailed lists of current and proposed visa prices (fee plus levy) based on the recommended Crown share of funding for immigration system and ESOL costs are included in **Annex 6**. A summary of the proposed prices for key visa products is captured in **Table 6** below. The analysis of options follows in the next section.

Table 6: Summary of proposed fee and levy rates for key products (\$NZD), based on recommended share of Crown funding for immigration system and ESOL costs

Key visa products	Forecast visa volumes (October 2024 - June 2027)	Current price (fee + levy)	Proposed price		Price of comparable Australian visa
			Total (fee + levy)	% Change compared to current	
NZeTA request					
eTA (mobile app)	3,809,750	17	17	0%	-
Temporary visas					
Visitor	1,233,350	211	341	62%	202
Group visitor	143,350	110	171	55%	202
Working Holiday	145,700	420	670	60%	674
Students	300,500	395	750	90%	754
Post-study work	12,700	700	1,670	139%	2,011
Partnership (work)	106,150	860	1,630	90%	N/A
Entrepreneur (work)	50	3,920	12,380	216%	6,779
Variation of conditions on a temporary entry class visa	35,650	210	325	55%	N/A
Accredited Employer Work Visa (AEWV) - migrant check	149,450	750	1,540	105%	1,545
Employers					
AEWV accreditation (standard)	81,150	740	775	5%	445
AEWV job check	93,550	610	735	20%	350 plus 1,270+ annual levy
Agreement to recruit under Recognised Seasonal Employer Scheme	2,550	290	280	-3%	N/A
Recognised Seasonal Employer Status	450	1,080	1,040	-4%	445
Residence visas					
Skilled Residence pathways (Resident)	35,300	4,290	6,450	50%	4,925
Partnership / Parent (Resident)	35,750	2,750	5,360	95%	9,389
Parent Retirement (Resident)	450	5,260	12,850	144%	51,235
Dependent Child (Resident)	6,550	3,610	3,230	-11%	3,238
Active Investor Plus (Resident)	100	7,780	27,460	253%	18,226
Permanent Resident Visa	65,150	240	315	31%	N/A
Pacific visas					
Limited Visa - Recognised Seasonal Employer (RSE)	41,100	285	285	0%	377
Samoan Quota	1,200	800	800	0%	N/A
Pacific Access Category	550	1,280	1,280	0%	N/A

Key:

- NZ price within 100% of Australian price
- NZ price within 100% of Australian price, after accounting for secondary applicants
- NZ price above 100% of Australian price, even after accounting for secondary applicants

Options analysis

94. The options analysis for this review centres around the selection of sub-options (A, B or C) for each of the two choices discussed above. This is because each sub-option represents a key design feature that significantly affects the final fee and levy rates set.
95. Constructing a complete alternative to the status quo (absorbing cost pressures, but leaving cost allocation and fee and levy rates unchanged) requires the selection of a sub-option under each of the two choices. This implies nine possible combinations. Rather than exploring each combination in detail, we have chosen to assess the sub-options within each choice against the status quo, in order to recommend a sub-option for each. We considered this was a more efficient approach and would not diminish the effectiveness of the analysis. However, it does limit the detail of the analysis as the modelling has only been done for the recommended options, and therefore the assessment of the other options is less definitive.
96. **Table 7** summarises the key differences between the status quo, and an alternative involving some combination of sub-options for the two choices.

Table 7: Comparison of features between status quo and an alternative combining a sub-option for each of the two choices

Feature	Status Quo	Alternative combining option 1A/B/C + option 2A/B/C
Approach to estimating future immigration system costs	Existing appropriations, plus cost pressures and inflation (for core immigration services, except those funded by the Crown)	
Expected future visa product applications	90% of forecast visa applications (accounting for uncertainty to guard against under recovery)	
Choice 1 – share of the cost of providing immigration system services borne by the Crown	22%	Depends on the specific sub-option for Choice 1: <ul style="list-style-type: none"> Option 1A – 22% Option 1B – 9% Option 1C – 1%
Choice 2 – share of the cost of providing ESOL programmes in schools borne by the Crown	100%	Depends on the specific sub-option for Choice 2: <ul style="list-style-type: none"> Option 2A – 100% Option 2B – 50% Option 2C – 20%
Other minor adjustments to the allocation of costs between revenue sources	None	Removing Crown subsidy, except for Pacific-focused visas (Recognised Seasonal Employer Increasing the share of ICT and risk and verification costs funded by fees as costs are directly associated with visa assessment and processing as per section 393.

Feature	Status Quo	Alternative combining option 1A/B/C + option 2A/B/C
Time period for rebalancing the visa fee account surplus and levy account deficit balances	N/A	Just under 4 years Additional adjustments to fee and levy rates would be made to return accumulated balances (as at 30 September 2024) to near zero by June 2028, with the exception of the NZeTA fees account.
Discounted fee rates for applications from Pacific (fee band B)	Yes, for some products, but inconsistent amount of discount	Yes, where existing discounts exist, but consistent discount of 15% for temporary visas and 10% for resident visas applied.
Changes to fee and levy rates	None	Yes, depending on the specific combination of options for choice 1 and 2

97. The sub-options across the two choices are assessed alongside the status quo in **Table 8** below. The criteria for assessment were the five objectives for the review, plus the three sets of cost recovery principles.
98. MBIE recommends a combination of reducing Crown funding from 22% to 9% for immigration system services (Option 1B) and reducing Crown funding from 100% to 20% for ESOL (Option 2C) because this would best address the review objectives. This combination ensures users of the immigration system more fully meet the cost of the services they receive, while ensuring Crown funding remains for services that have public benefit – ministerial and refugee services.

Table 7: Assessment of sub-options compared to the status quo

Criteria	Status quo (No change to cost allocation or fee and levy rates)	Choice 1: Proportion of <u>immigration system costs</u> to be funded by the Crown			Choice 2: Proportion of <u>ESOL in schools costs</u> to be funded by the Crown		
		Option 1A 22%	Option 1B 9% (<i>recommended</i>)	Option 1C 1%	Option 2A 100%	Option 2B 50% (<i>recommended</i>)	Option 2C 20%
1. Reduce Crown expenditure for services that could be met by users of the immigration system that benefit from or create the need for those services	✗ Existing levels of Crown funding for immigration system services and ESOL would continue. No additional costs would be recovered.	✗ As per status quo.	✓ A greater share of immigration costs would be recovered from users of the immigration system, reflecting the principle that those who benefit from, or give rise to the need for services bear the cost of those services.	✓✓ Close to 100% per cent of all immigration system costs would be recovered from users of the immigration system	✗ As per status quo.	✓ As per option 2C , but <u>slightly lower recovery</u> of costs from users.	✓✓ The majority of ESOL costs would be recovered from users of the immigration system, reflecting the principle that those who benefit from, or give rise to the need for services bear the cost of those services.
2. Revenue covers costs, including cost pressures, and for uncertainty of visa volumes and revenue	✗ Costs greatly exceed revenue (based on 90% of forecast visa product volumes) for the levy account and NZeTA fee accounts, whereas the visa fee account would have a growing surplus balance.	✓ All of these options would involve setting fee and levy rates that are sufficient to cover costs, including cost pressures, based on 90% of forecast visa product volumes, with the exception of the NZeTA account.			✓ All of these options would involve setting fee and levy rates that are sufficient to cover costs, including cost pressures, based on 90% of forecast visa product volumes, with the exception of the NZeTA account.		
3. Rebalance accumulated fee and levy account balances	✗ Costs greatly exceed revenue (based on 90% of forecast visa product volumes) for the levy account and NZeTA fee accounts, whereas the visa fee account would have a growing surplus balance.	✓ All of these options would involve a further adjustment to proposed fee and levy rates sufficient to balance accounts by the end of June 2028. The NZeTA is a partial exception to this, as explained in paragraph 85 above.			✓ All of these options would involve a further adjustment to fee and levy rates sufficient to balance accounts by the end of June 2028. The NZeTA is a partial exception to this, as explained in paragraph 85 above.		
4. Remain competitive with Australia's charges (where feasible)	✓ Prices would remain at current levels, which are mostly under Australian prices, with the notable exception of visitor visas (by about \$10)	✓✗ As per option 1B , but likely to be <u>more competitive</u> as fee and levy rates would be lower because more Crown funding is being retained.	✓✗ Based on calculated fee and levy rates (assuming option 2B) most visas remaining within 100% of Australia's price, when accounting for secondary applicants ¹⁷ , with the exception of visitor visas and entrepreneur prices. Prices remain competitive because visa charges are a small portion of the total cost of travelling or migrating to New Zealand.	✓✗ As per option 1B , but likely to be <u>less competitive</u> as fee and levy rates would be higher because less Crown funding is being retained.	✓✗ As per option 2C and 2B , but likely to be <u>more competitive</u> as fee and levy rates would be lower because more Crown funding is being retained.	✓✗ As per option 2C , but likely to be <u>more competitive</u> as fee and levy rates would be lower because more Crown funding is being retained.	✓✗ Based on calculated fee and levy rates (assuming option 1B) most visas remaining within 100% of Australia's price, when accounting for secondary applicants, with the exception of Entrepreneur prices. Prices still remain competitive because visa charges are a small portion of the total cost of travelling or migrating to New Zealand.

¹⁷ Australia charges extra for secondary applicants (50% for partners, 25% for dependents) on resident visa applications. New Zealand does not charge extra.

Criteria	Status quo (No change to cost allocation or fee and levy rates)	Choice 1: Proportion of <u>immigration system costs</u> to be funded by the Crown			Choice 2: Proportion of <u>ESOL in schools costs</u> to be funded by the Crown		
		Option 1A 22%	Option 1B 9% (recommended)	Option 1C 1%	Option 2A 100%	Option 2B 50% (recommended)	Option 2C 20%
5. Equity	<p>✘</p> <p>Costs are shared in a way that reflects previous judgements about an appropriate split of costs between the Crown and users of the immigration system.</p> <p>We now consider it more appropriate for users to bear a greater share of costs (including ESOL in schools) based on the benefits they receive and costs they generate.</p> <p>Without adjusting fee and levy rates, users of the system are not fairly meeting the costs of the system, which would create a future cost burden for future users and/or the Crown (taxpayers).</p>	<p>✔ ✘</p> <p>As per status quo <u>except</u> that fee and levy rates would be adjusted to recover costs and rebalance accounts, and therefore eliminate future cost burden for future users and/or the Crown (taxpayers).</p>	<p>✔</p> <p>Allocation of costs more appropriately reflect the degree to which different users of the immigration system benefit from the system and/or exacerbate risks.</p> <p>Refugee services and ministerial services would continue to be funded by the Crown, reflecting the public benefit of these services.</p>	<p>✘</p> <p>Would extend cost allocation beyond what is appropriate, to include refugee and ministerial services that do not directly benefit users of the system, but rather provide public benefit.</p>	<p>✔ ✘</p> <p>As per status quo <u>except</u> that fee and levy rates would be adjusted to recover costs and rebalance accounts, and therefore eliminate future cost burden for future users and/or the Crown (taxpayers).</p>	<p>✔</p> <p>Costs borne by users of the immigration system more appropriately reflects that a learner's need for ESOL support is directly linked to their migrant background, and therefore shouldn't be funded entirely by the Crown (taxpayers).</p>	<p>✔</p> <p>As per option 2B, but better reflects the disproportionate benefit to users of the immigration system (around 97% are migrants or the children of migrants). However, not all migrants have or will have children who will use ESOL services.</p>
6. Efficiency and effectiveness	<p>✘</p> <p>Insufficient funding would be provided to ensure services can be provided to the agreed standard.</p> <p>Savings have been made to meet the Government's fiscal savings objectives, and there is an ongoing focus on fiscal management and realising the benefits of automating visa processing.</p>	<p>✔</p> <p>Proposed fee and levy rates would provide sufficient funding to maintain existing service performance.</p> <p>Savings have been made to meet the Government's fiscal savings objectives, and there is an ongoing focus on fiscal management and realising the benefits of automating visa processing.</p>			<p>✔</p> <p>Proposed fee and levy rates would provide sufficient funding to maintain existing service performance.</p> <p>Savings have been made to meet the Government's fiscal savings objectives, and there is an ongoing focus on fiscal management and realising the benefits of automating visa processing.</p>		
7. Transparency, consultation, simplicity and accountability	<p>✘</p> <p>Fee prices reflect across-the-board adjustments to historical prices, rather than necessarily reflecting each product's cost-to-serve.</p> <p>MBIE's annual report continues to provide a break-down of what levy revenue is allocated toward.</p>	<p>✔</p> <p>Fee rates based on up-to-date) CTS information (with some limitations).</p> <p>Levy rates based on allocation of costs with clear allocation rules (paragraph 88).</p> <p>MBIE's annual report continues to provide a break-down of what levy revenue is allocated toward.</p>	<p>✔ ✘</p> <p>As per Option 1A and 1B, but limited justification of levy payers covering refugee costs and ministerial services.</p>	<p>✔</p> <p>Fee rates based on up-to-date CTS information (with some limitations).</p> <p>Levy rates based on allocation of costs with clear allocation rules (paragraph 88).</p> <p>MBIE's annual report continues to provide a break-down of what levy revenue is allocated toward.</p>			

Options not considered

99. An alternative option for achieving the objectives of the review is to reduce and / or alter immigration services (and therefore costs) such as reducing staff or the number of products offered. This option was not considered as **Confidential advice to Government**. A reduction would mean, for example:

- a. **an increase in visa processing times** affecting primarily visitors (including the tourism industry), workers (including businesses) and students (including the education sector)
- b. **reduced compliance activity** – this would likely mean immigration risk is not identified and managed, affecting the integrity of the immigration system and have downstream impacts, and/or
- c. **poorer settlement outcomes for migrants** and possible downstream impacts because of reduced settlement activities.

Impact analysis

Impacts on fee and levy accounts

100. **Figures 8, 9 and 10** below show the expected impact on the memorandum account balances over time under the recommended options. A detailed summary of annual movements is presented in **Annex 7**.

Figure 8: Immigration Visa Fee Account balances as at 30 June (\$ millions)

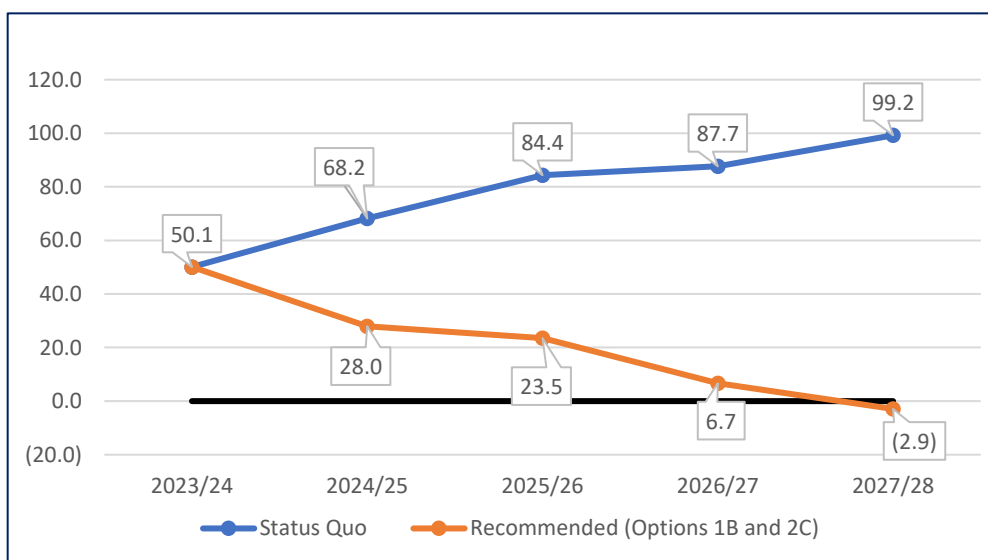


Figure 9: NZeTA Fee Account balances as at 30 June (\$ millions)

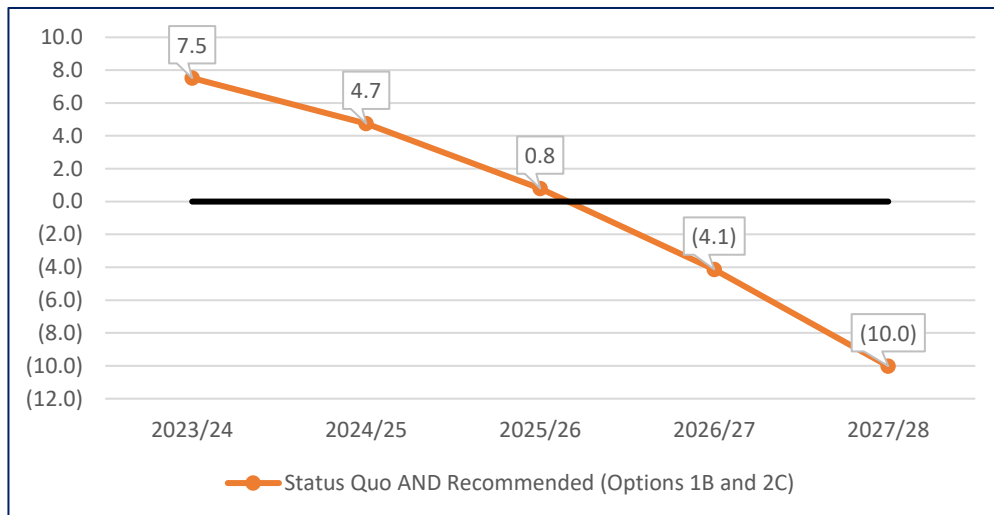
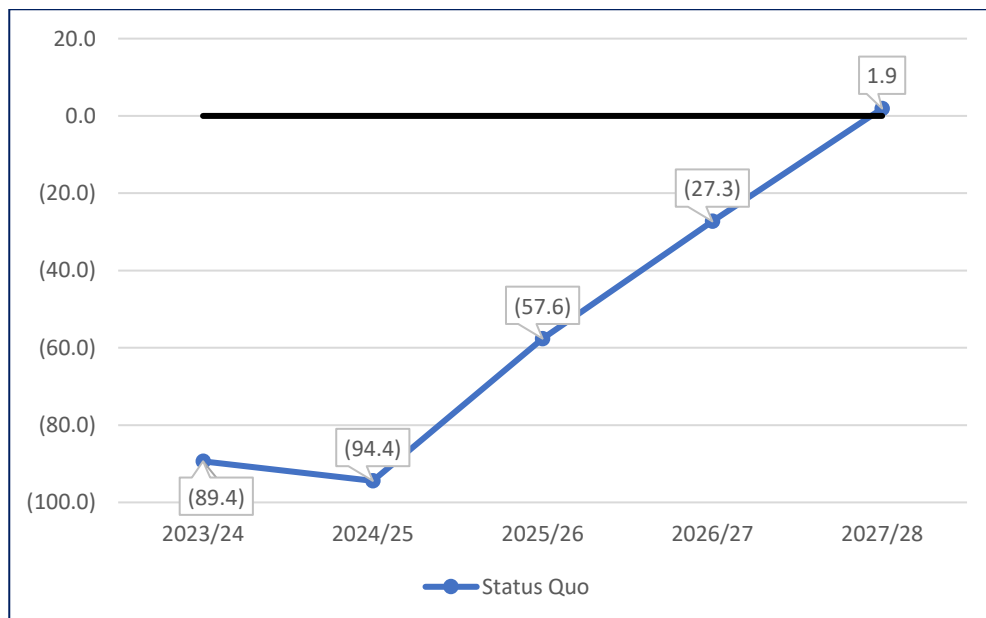


Figure 10: Immigration Levy Account balances as at 30 June (\$ millions)



Impacts on the Crown

101. Under the recommended proposals, Crown funding for the immigration system reduces on average by \$58.7 million per annum (\$68.9 million including cost pressures) and Crown funding for ESOL programmes in schools reduces by \$41.3 million per annum (\$50.3 million including cost pressures).
102. The main risk with reducing Crown funding (through increased fees and levies) and users meeting these costs, is that the immigration funding model could be more susceptible to deficits if visa volumes and revenue drop. This could create a fiscal risk to the Crown, if Crown funding is required (capital injections were provided during COVID-19) to fund immigration system activities.

103. To minimise this fiscal risk to the Crown and ensure revenue covers immigration expenditure, the proposed rates have accounted for uncertain visa volumes by applying a 90 per cent visa volumes scenario. MBIE will continue to monitor visa volume forecasts and actual volumes. Further reviews every three years means that where volumes are higher than anticipated, the next review will enable fees and levies to be reduced accordingly.

Impacts of higher prices on payers

104. While the increase in costs for most payers (shown in **Table 6** above) will be negligible relative to the overall cost of travel or migration to New Zealand, it is likely to be more significant for migrants from lower income countries or vulnerable workers. A 2021 study¹⁸ compared global visa cost data from 2019 across key visa categories (including visitor, student, work and family reunification). As outlined in the impact table below (**Table 9**), visas are relatively more expensive for lower-socio economic countries in Asia and Africa largely because of earning ability.

105. To recognise New Zealand's special relationship with Pacific Island countries and to take account of the lower income levels of Pacific migrants, fee and levy rates continue to be set lower than for visa applicants from other countries. Further, in recognition of the Treaty of Friendship with Samoa, Samoa citizens are also exempt from paying an immigration levy for resident visa applications (set out in immigration visa regulations). This further reduces the impact of price increases for Samoan citizens.

Impacts on migration decisions

106. The overall impact on migration decisions is difficult to quantify due to a lack of hard evidence and that an immigration visa charge is a small component of the overall cost of visiting, studying, working or residing in New Zealand. The impact is expected to be marginal when considering international literature, feedback from stakeholders and outcomes of past fee and levy increases.

107. There is no research in New Zealand on the impact of fee and levy rate changes on migration and travel decisions. MBIE has also not commissioned any research for this review due to time constraints and that previous visa price increases over the past two decades has not appeared to impact visa volumes.

108. MBIE has referred to the 2020 review¹⁹ of evidence relating to elasticity of demand for visas in the United Kingdom (UK). This study can be applied to the New Zealand context because UK is a common comparator. The study assesses the visa price impact on comparative visa products (visitor, work, student and family) and broader migration costs rather than specific UK visa price increases. It also referred to several international studies.

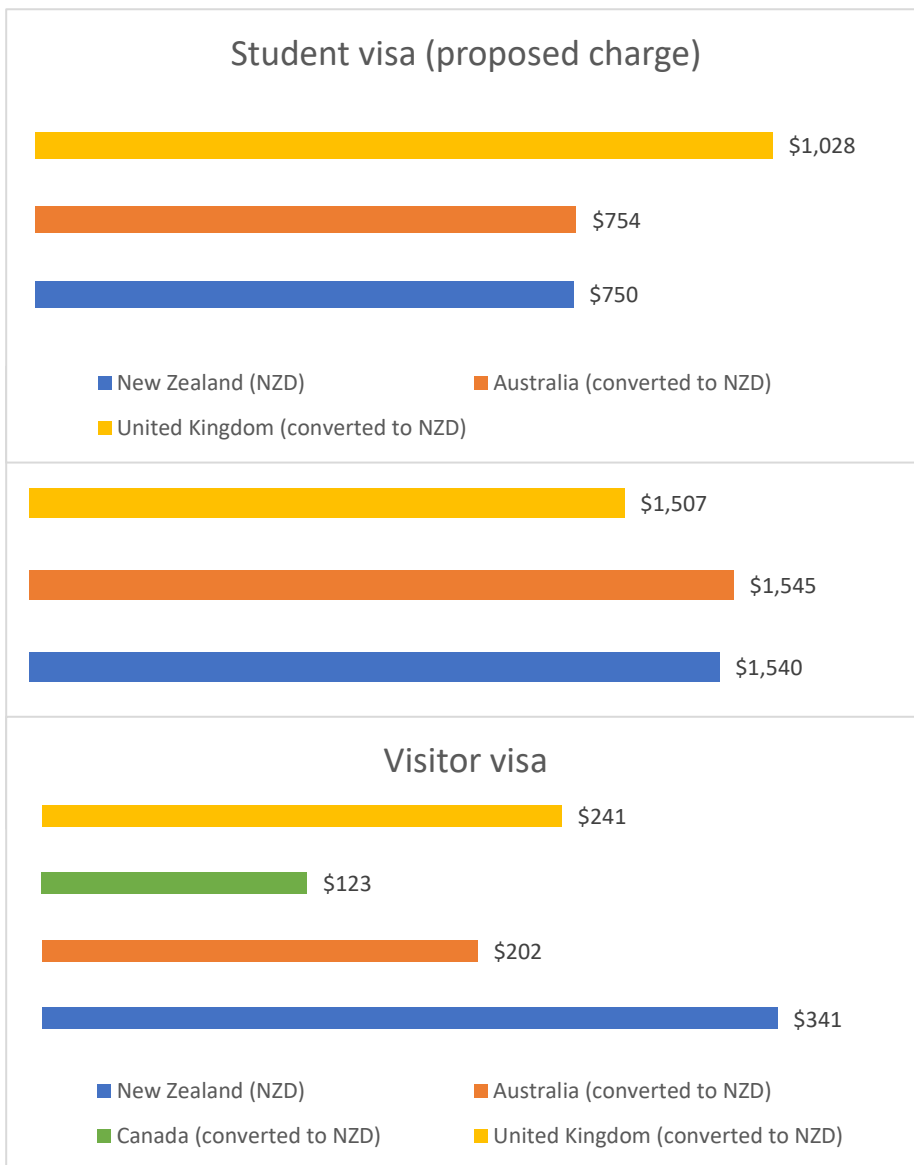
109. The study notes there is very little research on the price elasticity of demand for visas in isolation. Research suggests minimal, if any, changes to demand from modest visa price increases. The study concludes that broadly demand for visas is more inelastic than previously thought.

¹⁸ <https://www.sciencedirect.com/science/article/pii/S096262982100010X>

¹⁹ Home Office (United Kingdom). (2020). A review of evidence relating to the elasticity of demand for visas in the UK

110. Stakeholders consulted with (outlined in the consultation section below) expressed concern about how fee and levy increases might be perceived by tourists, international students, families and high-net worth individuals seeking to invest in New Zealand. During targeted consultation, we were advised of some migrant groups that may be more sensitive to overall or cumulative price of other increases (such as cost of doing business or the potential IVL adjustment) including:
- a. families of New Zealand citizens or residents seeking residence in New Zealand
 - b. visitors, temporary workers and international students from lower socio-economic countries.
111. A key finding was that the price of a visa should not be considered in isolation of total migration costs (e.g. travel, international student visas, wages) and non-financial factors including immigration policy settings (eg duration, work rights or other benefits like public health eligibility), the cost-of-living or wages. This is because any impacts on visa applications and NZeTA requests due to proposed increases are insignificant in the wider context of the costs of travelling to, or settling in, New Zealand, or the benefits that migrants receive from coming to New Zealand.
112. New Zealand's visa charges will generally remain competitive compared to other countries, with visitor visas being the most notable exception (**Table 5** above, **Figure 11** below).

Figure 11: Comparison of proposed prices for key products with comparable countries



113. **Table 9** below summarises the expected demand impacts of the proposals on the migration decisions of key groups. MBIE monitors visa volumes, revenue and expenditure on a quarterly basis which provides an opportunity to assess if proposed prices influence migration decisions.

Table 9: Expected impacts of proposals on migration volumes

Groups and relevant visa products	Expected short-term impacts on visa volumes	Additional commentary
Visitors: <ul style="list-style-type: none"> NZeTA Visitor Group visitor Working Holiday 	LOW <ul style="list-style-type: none"> The tourism industry did not provide evidence of impacts on demand. Stakeholders expressed concern about how the increased rates could affect recovery of the tourism and hospitality sectors. Potential for marginal demand impacts for lower socio-economic visitors, overall a small portion of the visa required visitor market. No impact for visa free travellers which covers key visitor markets because there is no proposed change to the NZeTA charge or Australian citizens or residents visa free status. 	<ul style="list-style-type: none"> The visitor visa charge is higher than comparable countries, but overall remains a small proportion of total costs of travelling to New Zealand. Charges are lower for families compared to Australia, because one fee is charged for applications that include family members. Proportionally the emerging Indian tourism market would be affected (3% of the total visitor market)²⁰, increased charges unlikely to be received favourably due to existing concerns with visa processing timeliness and lack of in-market immigration support. Immigration visa data shows visitor visa volumes from India remain steady and timeliness is affected when high-risk, low-quality applications are submitted. Any demand impact would likely be at the margins and for lower-socio economic applicants. Unlikely to have an impact on the Chinese market who are less price sensitive and more concerned with visa processing timeliness. Visitor visa charges are one small charge that visitors face when travelling to New Zealand, although there is a potential cumulative impact if the International Visitor Levy also increases. Potential deterrent to Working Holiday makers as travelling to and living in New Zealand is expensive. Out of the 3.1 million annual visitor arrivals to New Zealand (from February 2023 to February 2024), 41% are Australian residents, 47% are residents of visa-waiver countries, 6% are Chinese residents and 3% are Indian residents.²¹
Students: <ul style="list-style-type: none"> Student Post Study Work 	LOW <ul style="list-style-type: none"> Education industry advised that the proposed impact is unknown, some stakeholders expect the cost to be manageable, provided that service delivery improves. The total charge is relatively small compared to the total cost of international education, especially at higher levels of education. 	<ul style="list-style-type: none"> Immigration charges are considered as part of overall affordability of international study, likely that perceptions about these costs may differ between countries as some countries are more price sensitive than others. Proposed rates are equivalent to Australia and the United Kingdom. Post-study migrants are already in New Zealand, a change in price is unlikely to impact visa decisions but it could cancel out the benefits of the policy.
Workers (temporary and residence): <ul style="list-style-type: none"> Accredited Employer Work Visa (AEWV) Recognised Seasonal Employer Skilled residence pathways 	LOW <ul style="list-style-type: none"> No evidence of demand impacts due to high levels of demand for labour and opportunities in New Zealand, particularly in the following sectors. For skilled residence, non-financial factors can also be a migration factor. Total AEWV charge is equivalent to Australia and the United Kingdom. 	<ul style="list-style-type: none"> Increase is small compared to the overall benefits of employment in New Zealand. Lower socio economic and vulnerable workers may be disproportionately impacted due to the higher visa cost. Unlikely to impact migration decisions, but may increase financial pressures. No impact to RSE work visa as the Crown will subsidise the increase required to fully recover immigration visa processing costs.
Investors: <ul style="list-style-type: none"> Entrepreneur Active Investor Plus 	LOW <ul style="list-style-type: none"> No evidence of demand impacts, but concern about the signal associated with a significant increase, and the perception of New Zealand being a welcoming destination for investors. 	<ul style="list-style-type: none"> For Active Investor, while the total charge is significant, the charge is low compared to the investment requirements. Australia has also closed their equivalent category. While potential migrant investors may have the capacity to meet the increased fee/levies, their willingness-to-pay may be impacted. When accounting for secondary applicants, the proposed charge is comparable with Australia. Australia has also announced its intention to close its investment resident pathway. Entrepreneur visa volumes are low, with a marginal impact on demand.
Partners and family: <ul style="list-style-type: none"> Partner Dependent child Parent Parent Retirement 	LOW <ul style="list-style-type: none"> Family residence is generally driven by non-financial factors. The increase may place a financial burden on lower-socio economic families. 	<ul style="list-style-type: none"> Higher impact for Samoan nationals applying for Dependent Child residence because of a high number of adoptions. Family Partnership residence charges are lower compared to Australia when accounting for dependent children.
Employers: <ul style="list-style-type: none"> AEWV Accreditation AEWV job check RSE status Agreement to recruit under RSE 	LOW <ul style="list-style-type: none"> No evidence that fewer employers would apply for accreditation given demand for labour, particularly in the following sectors: <ul style="list-style-type: none"> construction infrastructure An increased fee adds to cumulative costs of doing business, however, the increase is small compared to the benefit of access to migrant labour. 	<ul style="list-style-type: none"> Employers are not able to be charged an immigration levy under the Immigration Act 2009 but receive benefits of levy funded activities. The price is significantly lower compared to Australia's employer charge which ranges from NZD\$1,272 – \$7,632 depending on company turnover and length of employee stay.

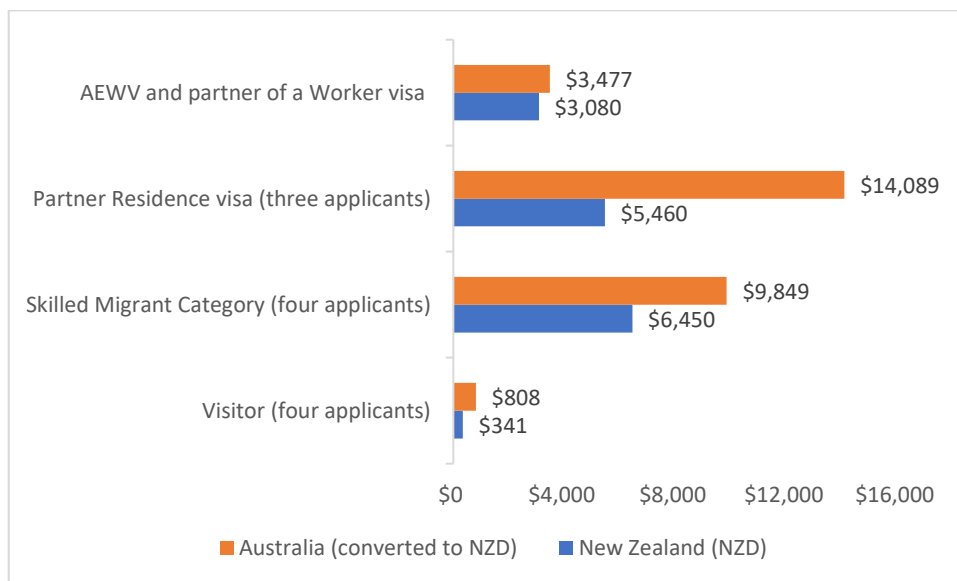
²⁰ In year-ended February 2024, out of 3,109,201 visitor arrivals, there were 87,436 visitors who had India as their country of residence. *Stats NZ – International Travel: February 2024.*

²¹ *Stats NZ – International Travel: February 2024.*

Scenarios of visa charges – comparison of Australia and New Zealand

114. Although the table above reflects our estimate of impacts on migration decisions in most circumstances, we acknowledge impacts may differ depending on the circumstances. The scenarios below provide a more realistic illustration of the proposed visa charges for a family unit compared with Australia our closest comparator. The scenarios show that the immigration cost to visit or migrate to New Zealand may still be lower than Australia. Immigration charges are only one driver of temporary or permanent migration decisions. It is, however, one factor that the Government can influence.
115. Australia is only one of New Zealand’s competitors for tourists, international students, skilled or investor migrants. A comparison of key products compared to Canada and the United Kingdom is below.
116. New Zealand’s visa regulations only allow for one fee to be charged where an application includes family members (for visitor and residence applications). Comparatively, Australia charges per applicant, with partial charges for secondary applicants. **Figure 12** shows illustrates the cost for families seeking to migrate to New Zealand, based on common numbers of applicants across visa types.

Figure 12: Comparison of total New Zealand and Australian visa prices under different scenarios



Consultation

Targeted consultation process

117. Cabinet directed MBIE to run targeted consultation [CAB-24-MIN-0109 refers] on the proposed changes with groups representing those most likely to be affected, including:
- a. **Businesses / employers:** Business New Zealand and the Employers and Manufacturers Association.
 - b. **Immigration professionals:** MBIE's Immigration Reference Group and the Immigration Focus Group (convened by the Deputy Secretary Immigration New Zealand).
 - c. **International education:** Education New Zealand, Pan Sector Alliance (comprises seven peak education bodies – English New Zealand, Independent Schools New Zealand, Independent Tertiary Education New Zealand, Schools International Education Business Association, Quality Tertiary Institutes, Te Pukenga, Universities New Zealand), and the International Students Association.
 - d. **Tourism:** Tourism New Zealand, Tourism Industry Aotearoa and Tourism Export Council New Zealand.
 - e. **Workers:** Council of Trade Unions and Union Network of Migrants.
118. MBIE held ten consultation sessions with stakeholders in April 2024. At these sessions, MBIE presented:
- a. the context for the review
 - b. the proposed changes to the immigration funding model (Crown funding proposed to reduce and be more fully met by users through immigration fees and levies as authorised by the Immigration Act 2009)
 - c. the approach to setting fee and levy rates with reference to MBIE's visa volume forecasting and cost-to-serve model under the recommended proposals (Options 1B and 2C).
119. Stakeholders provided feedback on an initial set of fee and levy rates. The figures in MBIE's proposal and the CRIS have been adjusted to reflect the feedback received. The main differences are captured in **Annex 8**, and discussed further below.
120. Participants provided feedback on the potential demand impacts of the combined fee and levy increases specific to their industry (i.e., tourism, international education, businesses, or migrant workers). A record of the discussion was circulated to stakeholders to confirm accuracy and provide any additional comments following the discussion.

Themes from discussions with targeted stakeholders

121. **Table 10** sets out the key themes in the feedback received and how we propose to address this feedback in the final proposals. A more detailed summary of the feedback from consultation is set out in **Annex 9**.

Table 10: Themes from stakeholder discussions and MBIE responses

Theme	MBIE Response
The immigration system should be more efficient because of increased costs for users.	<p>A complementary priority for MBIE is that the immigration system is efficient and effective.</p> <p>MBIE is reviewing its service model for the end-end visa process, to improve efficiency of visa assessment and processing and manage and identify risk. This includes moving all visa products onto the ADEPT platform, which is expected to increase efficiency through the automation of some tasks. MBIE will report quarterly to the Ministers of Finance and Immigration on headcount, efforts to improve efficiency and the productivity per visa product, and any associated efficiency savings.</p>
The cumulative costs on migrants and users need to be considered.	<p>Advice provided to Ministers outlined the cumulative costs concerns.</p>
Proposed charges are inconsistent with Government priorities to revive international education and double export revenue.	<p>A priority for the Government is that the immigration system is efficient, self-funding and sustainable. The Government is looking to reduce the proportion of Crown funding for the immigration system and that users of the system more fully fund the system.</p> <p>Any concern about an impact on export earnings is based on an assumption that demand will be significantly less, and there is no evidence to support this. The other factors that make New Zealand an sought after place to study (lifestyle, quality of our education institutes) will continue to attract international students.</p>
Divergent views in relation to charges on employers.	<p>The scope of the fee and levy review is based on current legislative, policy and operational settings.</p> <p>The proposed fee for employers is based on the cost to fully recover direct and indirect costs for immigration services. Employers are not charged a levy, as this is not authorised under the Act. Therefore, they are not contributing to the funding of any levy-funded activities from which they benefit (eg compliance activity or broader infrastructure costs). An amendment to the Act would be required to expand the levy payer based <small>Confidential advice to Government</small></p>

Theme	MBIE Response
Proposed charges could have unintended consequences	<p>MBIE has included in its advice potential unintended consequences as a result of proposed rates specifically that:</p> <ul style="list-style-type: none"> • some migrants may be unable to afford to regularise their immigration status • lower socio-economic migrants would likely still choose to migrate to New Zealand, irrespective of the financial burden • “bad actors” could further exploit vulnerable migrants.
Immigration charges are only one component of competitiveness	<p>MBIE has expanded its advice to Ministers. Fee rates cover the direct and indirect costs associated with visa assessment. Levy rates have been set with a lower rate for temporary migrants and a higher rate for residence which reflects the benefits received or risks created.</p> <p>MBIE monitors visa volumes, revenue and expenditure and reports quarterly to the Ministers of Finance and Immigration.</p>
Greater transparency and improved communications about immigration charges is required.	<p>Advice provided to Ministers on the potential risks and anticipated public/media commentary. MBIE’s communications approach will include key information on activities funded by fees and the immigration levy.</p>
Concerns about the impact on the Indian and Chinese markets	<p>Visa volumes data shows significant growth in the Indian visitor market (58% between 2019-2023). China visitor volumes remain steady, but have not returned to pre-COVID levels, predominantly because of China’s economic conditions.</p> <p>Visa timeliness is a priority for INZ. Between January – March 2024, INZ processed 87 per cent of visitor visas within 20 working days, exceeding its performance target of 75 per cent. Applications from India have a higher decline rate compared to China which contributes to slower processing times. INZ has also been engaging with the agents in the Indian market on application requirements to lift the quality of applications.</p> <p>Overall, the student visa charges are a small component of the total costs of international study (travel, living, course costs and agent fees). New Zealand’s student visa settings and requirements remain competitive with Migration Five (M5) countries (Australia, Canada, New Zealand, the United Kingdom and the United States).</p>

Consultation with other government agencies

122. The following agencies were consulted on draft proposals: New Zealand Customs Service; the Ministries of Business, Innovation and Employment (Investment Policy and Tourism Policy), Education, Foreign Affairs and Trade, and Transport; the Ministries for Pacific Peoples, Primary Industries, Ethnic Communities; the Treasury. The Department of the Prime Minister and Cabinet was informed.
123. Agencies were generally supportive of the proposed fee and levy rates.
124. The Ministry of Foreign Affairs and Trade and the Ministry for Pacific Peoples initially raised concerns with the proposed price increases for three Pacific related visas – Recognised Seasonal Employer scheme (RSE), Pacific Access Category (PAC) and Samoan Quota (SQ). In particular, the scale of the increase for the SQ, to reflect the cost-to-serve (\$630 to \$1430), would have a high impact on these applicants and more broadly on diplomatic relationships and the Government’s strategic prioritisation of relationships in the Pacific. The Government agreed to set the new fee rates for these products equal to the current total price (as levy rate set to zero) and to subsidise the difference to fully recover costs [ECO-24-MIN-004, and CAB-24-MIN-0109 refers].

Adjustments made in response to specific consultation feedback

125. In addition to the broad themes summarised above, MBIE received feedback from targeted consultation and Ministerial direction on the specific fee and levy rates proposed for some products.
126. In response to this feedback, MBIE adjusted fee and levy rates for five key products:
 - a. **Group Visitor visa (decreased levy rate).** The levy rate as initially proposed was around three times larger than a standard visitor visa. Some stakeholders commented that this was not an equitable allocation of levy costs given the similarity of benefits received/costs generated by applicants for these two products.
 - b. **Partner / Parent (resident) visa (decreased levy rate).** The levy rate as initially proposed was higher than for skilled residence pathway visas. Some stakeholders commented that this did not equitably reflect the higher economic benefits likely received by holders of skilled residence visas, and that these costs would disproportionately affect New Zealand residents and citizens.
 - c. **Parent Retirement (resident) visa (increased fee and levy rates).** The levy rates as initially proposed did not distinguish between standard Parent (resident) visas and Parent Retirement (resident) visas. Some stakeholders noted that the costs and benefits of Parent Retirement visas were more akin to Entrepreneur or Investor visas, including an investment requirement as part of the application process. This was confirmed in discussions with subject matter experts in visa processing, and fee and levy rates were significantly increased.
 - d. **Active Investor Plus (resident) visa (decreased levy rate).** Some stakeholders noted that the dollar and percentage increase in price for Active Investor Plus visas was much greater than for any other visa. The size of the increase was reduced in recognition of this feedback.

- e. **Post-study Work visa (decreased levy rate).** The levy rate initially proposed reflected the high price of the comparable Australian visa. Some stakeholders noted that the proposed levy increase was significantly above the levy rate for most other work visas. The reduction brought the levy rate more into alignment with other work visas.
127. Additionally, general adjustments to the financial modelling (driven primarily by updated visa volumes forecasts, updated cost-to-serve information, baseline reductions from Crown savings across MBIE for Budget 2024 and reduced ESOL cost pressures) led to minor reductions to the majority of proposed fee and levy rates.
128. **Annex 8** summarises the changes between the rates proposed in April consultation with the final proposed fee and levy rates.

Conclusions and recommendations

129. MBIE's assessment is that the Immigration Act 2009 provides the legal authority to reduce Crown funding for the immigration system and fund these costs because they either relate to direct visa assessment and processing or activities (section 393 of the Act) that fall within the scope of the purpose of the levy (as per section 399 of the Act. This (includes both immigration services and ESOL programmes in schools) through increased fee and levy rates.
130. MBIE recommends the proposed fee and levy rates under its preferred levels of Crown funding for immigration system (Option 1B) and ESOL costs (Option 2C), as they best meet the objectives of this review and are consistent with cost recovery principles. We do not expect there to be a material impact on aggregated demand for visa products because of higher prices.

Implementation plan

131. Changing fee and levy rates affects a number of INZ systems. There are also various transitional issues to be considered when new fees and levies come into effect, such as applications in progress, and foreign exchange movements.
132. New rates are proposed to take effect on 1 October 2024 to allow time for:
- a. Amendments to the fee and levy schedules (Schedules 4 and 6) in the Immigration (Visa, Entry Permission and Related Matters) Regulations 2010.
 - b. Notification of the regulation amendments in the New Zealand Gazette by 29 August 2024, in line with the 28-day rule.
 - c. INZ ICT system changes required to update the amounts charged for different visa applications and rigorous system testing to ensure the correct fee and levy rates have been applied.
 - d. Developing and delivering a communications strategy to inform applicants and stakeholders as soon as regulatory changes are confirmed, prior to the changes taking effect on 1 October 2024.
133. The breadth of fee and levy changes that are proposed means there are some implementation risks. These include (but are not limited to):

- a. Managing multiple, concurrent changes to INZ's ICT systems. MBIE will monitor the policy work programme and ICT change pipeline to identify and manage any implementation risks. At this stage, there is no confirmed policy implementation occurring at the same time.
- b. Parliamentary Counsel Office (PCO) capacity, prioritisation and drafting timeframes. MBIE will work alongside the PCO to make sure that they have a clear view of the work in the pipeline and signalling key dates early enough to allow for workload planning.

Monitoring, evaluation, and review

134. Strong governance and financial management controls are key features of a high performing regulatory system. They underpin a sustainable funding model that minimises costs to businesses and reduces fiscal risk to the Crown. In addition, taking a more measured and sequenced pace of policy and operational change can help to manage costs. The proposed approach to monitoring and evaluation is set out below.

Quarterly reporting on visa volumes, revenue, and expenditure

135. A requirement of funding from Budget 2021 was that MBIE report to the Ministers of Finance and Immigration quarterly on visa volumes, revenue, and expenditure [CAB-21-MIN-0116.04]. The report presents on actuals for each quarter and forecasts for the following quarter and year end.
136. This quarterly reporting process provides the opportunity to assess the accuracy of forecast visa volumes (and revenue) and ensure appropriate expenditure controls are in place. It includes the balance of the fee memorandum and levy hypothecation accounts. Regular reporting will continue under the new proposals enable MBIE to monitor if the current surplus in the fee account and deficit in the levy account is trending as expected.
137. From Q3 2023/24, the report will include information on headcount. Work is underway to report on efforts to improve efficiency and the productivity per visa product, and any associated savings as expenditure reduces in line with increased productivity. Any savings would be factored into the next fee and levy review.
138. Details of the productivity reporting is being developed and are expected to cover measures that provide insight into key objectives including improved efficiency or services and identification and management of risks. An example of a key measure would be cost-to-serve information for key visa products which provides information on whether costs are being fully recovered based on visa volumes and productivity levels.

A fiscal management plan

139. In addition to quarterly financial reporting, Cabinet has agreed to MBIE developing a fiscal management plan for the immigration system to:
 - a. improve scrutiny of proposals with financial implications or changes to baselines in order to manage any fiscal risk to the Crown
 - b. ensure the effective and efficient use of resources
 - c. increase stakeholders' confidence that immigration charges are reasonable.

140. The plan will include the following components:
- a. A robust cost-to-serve and cost allocation model, supported by long-term investment and workforce plans, to provide reliable information on the drivers of the current costs of providing different visa services and enable decision-makers to identify scope for simplification and efficiency savings. As discussed earlier, MBIE has developed a cost-to-serve model which informs fee rates and work is underway to develop investment and workforce plans as part of INZ's future service model. Reliable cost-to-serve information is critical to enable MBIE to:
 - i. understand and manage the cost drivers of immigration visa assessment and processing services across different visa products
 - ii. inform adjustments to immigration charges that recover both fixed and variable costs of operating the immigration system
 - iii. reduce the need for charges to recover accumulated funding deficits
 - iv. improve performance through efficiency and effectiveness gains
 - v. provide assurance to stakeholders that charges are reasonable which will become increasingly important in a context of inflationary pressure.
 - b. **A thorough and well documented forecasting methodology** (for visa volumes and revenue) with quarterly variance reporting to support continuous improvement. MBIE has developed a forecasting model that continues to be refined. A focus will be ensuring that the visa product mapping issues encountered through this fee and levy review are addressed.
 - c. **Strong oversight and governance by decision-makers of financial management practices and processes** – MBIE has established cross-system Governance through the Immigration System Governance Group and the Immigration System Steering Group. These groups ensure that all the different parts of a regulatory system within MBIE work well together to achieve its goals, and to keep the system fit for purpose over the long term.
 - d. **Regular reporting to Ministers** to provide transparency around how expenditure is tracking relative to revenue, and on the progress of measures to improve the effectiveness and efficiency of visa processing services. Quarterly reporting is in place and in the process of being expanded.
141. Integrating all these components will support MBIE to effectively monitor and mature key inputs for the next fee and levy review.

A future fee and levy review

142. Immigration fees and levies are regularly reviewed to ensure they are appropriately recovering costs. Generally, this is on a three-year basis or as required depending on the priorities of the Government.
143. The Minister of Immigration has Confidential advice to Government ██████████ to ensure they support sustainable funding for the immigration system. Any changes to the funding provisions would be accompanied by a fee and levy review. This means a further review may occur within three years, providing an earlier opportunity to assess if charges remain reasonable and appropriately recover costs.

Annexes

Annex 1: Summary of opportunities for reducing Crown funding for immigration system services through fees or levy (Choice 1)

Annex 2: Forecast visa applications and requests for a New Zealand electronic Travel Authority (100%)

Annex 3: Visa volumes forecasts – key assumptions

Annex 4: Summary of forecast expenditure (including cost pressures) based on recommended Crown share of immigration system and ESOL costs

Annex 5: Exceptions to using cost-to-serve estimate to set fee rate

Annex 6: Combined schedule of fee and levy rates based on recommended proposals

Annex 7: Immigration fee and levy account balances based on recommended proposals

Annex 8: Adjusted fee and levy rates compared to April consultation

Annex 9: Summary of submissions

Annex 1: Summary of opportunities for reducing Crown funding for immigration system services through fees or levy (Choice 1)

Immigration system services that receive some Crown funding ²² (approx. % funded by Crown)	Average annual Crown funding ²³ (2024/25 - 2027/28)	Legal authority to charge (and other comments)	Legal professional privilege	Change in Crown's share of funding for immigration system services under different sub-options	
				Sub-option B (total change from 22% to 9%)	Sub-option C (total change from 22% to 1%)
Maintaining the integrity and security of the immigration system – Border risk management (100%)	\$30.3 million	Aligns with the scope of the levy (s399(2)(c) (ii) and (iii)) relating to managing risks to the integrity of immigration system and to the safety and security of New Zealand. As an equivalent example, the Border Processing Levy is currently 100% cost recovery for MPI and Customs activities which recovers costs from all travellers.		Reduction from 100% to 0% Offset by increased share of costs from Levy	Reduction from 100% to 0% Offset by increased share of costs from Levy
Maintaining the integrity and security of the immigration system – Compliance and investigation activities (8%)	\$3.7 million	Aligns with the scope of the levy (s399(2)(c) (ii) and (iv)) relating to managing risk to the integrity of, and compliance with, the immigration system. Employers are currently not able to be charged the immigration levy.		Reduction from 8% to 0% Offset by increased share of costs from Levy	Reduction from 8% to 0% Offset by increased share of costs from Levy
Assessment and processing services (2%) , primarily risk and verification and wider visa operations	\$7.7 million	Aligns with the scope of a fee (s393(1)(a)(i)) as it relates to the processing of visa applications. However, the Act does not provide for explicit “cross-subsidisation” across matters for which fees have been prescribed, eg across different visa products.		Reduction from 8% to 1% Offset by increased share of costs from Visa fees Remaining amount relates to Crown subsidy for Pacific visas	Reduction from 8% to 1% Offset by increased share of costs from Visa fees Remaining amount relates to Crown subsidy for Pacific visas
Policy advice and ministerial services (74%)	\$6.1 million	Policy advice could align with the general scope of the levy because it supports managing the integrity of the system (s399(2)(c)(ii)) and more generally forms part of the infrastructure and operation of the immigration system (s399(2)(c)), which includes the development of immigration instructions (s3(2)(b)). Approximately \$1.3m (15% ²⁴) relates to servicing Ministers to meet their obligations to Parliament (eg responding to Ministerial or Official Information Act requests, supporting Select Committee processes) does not align with the scope of the levy.		Reduction from 74% to 59% Offset by increased share of costs from Levy Remaining amount relates to servicing of the Minister's parliamentary obligations	Reduction from 74% to 59% Offset by increased share of costs from Levy Remaining amount relates to servicing of the Minister's parliamentary obligations
Services to attract and inform migrants (8%) , primarily information services to attract, support and connect with prospective skilled migrants and employers	\$0.7 million	Aligns with the scope of the levy s399(2)(d) relating to migrant attraction. Employers are not currently able to be charged the immigration levy.		Reduction from 8% to 0% Offset by increased share of costs from Levy	Reduction from 8% to 0% Offset by increased share of costs from Levy

²² Before accounting for cost pressures

²³ Before accounting for cost pressures

²⁴ Equivalent to 20% of the Crown's share of costs

Immigration system services that receive some Crown funding ²² (approx. % funded by Crown)	Average annual Crown funding ²³ (2024/25 - 2027/28)	Legal authority to charge (and other comments)	Legal professional privilege	Change in Crown's share of funding for immigration system services under different sub-options	
				Sub-option B (total change from 22% to 9%)	Sub-option C (total change from 22% to 1%)
Settlement services for migrants and refugees – Provision of settlement services for new migrants (52%)	\$4.7 million	Aligns with the scope of the levy (s399(2)(a)), relating to successful migrant settlement. These activities contribute to the delivery of the New Zealand Migrant Settlement and Integration Strategy. Employers are not currently able to be charged the levy.		Reduction from 52% to 0% Offset by increased share of costs from Levy	Reduction from 52% to 0% Offset by increased share of costs from Levy
Settlement services for migrants and refugees – Processing of asylum claims (100%)	\$4.4 million	Aligns with the scope of the levy (s399(2)(c)(i) and (iii)) as these activities are about verifying identity and managing risk to safety and security of New Zealand. The Act prohibits charging asylum applicants for the cost of their claims.		Reduction from 100% to 0% Offset by increased share of costs from Levy	Reduction from 100% to 0% Offset by increased share of costs from Levy
Settlement services for migrants and refugees – Pacific migration initiatives and regional skills retention programmes (89%) Promoting opportunities for employers to access migrant workers, and support for employers (eg improved cultural understanding to support short-term settlement outcomes (wellbeing) of Pacific migrants.	\$3.1 million	Aligns with the scope of the levy (s399(2)(a) and (d)) as these activities are both settlement and migrant attraction related. Employers are not currently able to be charged the immigration levy		Reduction from 89% to 0% Offset by increased share of costs from Levy	Reduction from 89% to 0% Offset by increased share of costs from Levy
Regulation of Immigration Advisers (12%)	\$0.5 million	S399(2)(e) explicitly provides for the immigration levy to fund the Immigration Advisers Authority (IAA), to the extent that it is not otherwise funded. \$1.4 million per annum of levy funding already funds the Immigration Advisers Authority		Reduction from 12% to 0% Offset by increased share of costs from Levy	Reduction from 12% to 0% Offset by increased share of costs from Levy
Settlement services for migrants and refugees – Selection and processing of refugees (100%)	\$4.7 million	Aligns with the scope of the levy (s399(2)(i)-(iii)), relating to verifying identity, managing risk to integrity of system, managing immigration risk to safety and security of New Zealand. Also aligns with s399(2)(c) – operation of the immigration system (without limitation), and scope of immigration system under s3(2)(d) and (g).		No change	Reduction from 100% to 0% Offset by increased share of costs from Levy

Immigration system services that receive some Crown funding ²² (approx. % funded by Crown)	Average annual Crown funding ²³ (2024/25 - 2027/28)	Legal authority to charge (and other comments)	Legal professional privilege	Change in Crown's share of funding for immigration system services under different sub-options	
				Sub-option B (total change from 22% to 9%)	Sub-option C (total change from 22% to 1%)
Settlement services for migrants and refugees – <i>Facilitating travel of refugees to New Zealand (100%)</i>	\$8.9 million	Unclear. Potentially aligns with scope of the levy (s399 (2)(a)) to assist the successful settlement of migrants or categories of migrants.		No change	Reduction from 100% to 0% Offset by increased share of costs from Levy
Settlement services for migrants and refugees – <i>Induction at the Mangere Refugee Resettlement Centre (100%)</i>	\$15.1 million	Aligns with the scope of the levy (s399 (2)(a)) to assist the successful settlement of migrants or categories of migrants. Also aligns with s399(2)(c) - operation of the immigration system (without limitation), and scope of immigration system under s3(2)(d) and (g).		No change	Reduction from 100% to 0% Offset by increased share of costs from Levy
Settlement services for migrants and refugees – <i>Refugee settlement in the community (93%)</i>	\$23.0 million	Aligns with the scope of the levy (s399 (2)(a)) to assist the successful settlement of migrants or categories of migrants. Also aligns with s399(2)(c) - operation of the immigration system (without limitation), and scope of immigration system under s3(2)(d) and (g).		No change	Reduction from 93% to 0% Offset by increased share of costs from Levy

Annex 2: Forecast visa applications and requests for a New Zealand electronic Travel Authority (100%)

Key visa products	2022/23 (actuals)	2023/24 (forecast)	2024/25 (forecast)	2025/26 (forecast)	2026/27 (forecast)	2027/28 (forecast)
NZeTA	1,350,300	1,774,200	1,727,600	1,744,400	1,761,700	1,761,700
Visitor	384,600	429,600	540,500	551,800	592,500	600,400
Work	212,000	190,200	206,600	202,900	204,000	207,200
Student	83,800	73,300	105,100	118,600	131,800	144,500
Other	275,700	329,000	317,200	311,700	299,100	317,700
Family residence	11,400	17,000	15,900	15,900	15,900	15,900
Skilled residence	8,500	7,800	15,200	17,400	15,500	15,500
Other residence	1,300	1,900	4,700	4,600	4,500	4,600
Total volumes	2,327,600	2,823,000	2,932,800	2,967,300	3,025,000	3,067,500

Annex 3: Visa volumes forecasts – key assumptions

Visa category	Key assumptions
Temporary	
NZeTA	<ul style="list-style-type: none"> Expected to increase 14 per cent in 2024 and 10 per cent in 2025.
Visitor	<ul style="list-style-type: none"> Expected to remain below pre-pandemic level until 2026. Reduced demand from China is likely to have an impact on visa volumes.
Accredited Employer Work Visa	<ul style="list-style-type: none"> Revised forecast to reflect actual volumes, applied an eight per cent reduction to account for upcoming policy changes and removed assumptions about renewal periods. Uncertainty remains due to the policy being new (although is the primary temporary work visa) and future demand given economic conditions.
Students	<ul style="list-style-type: none"> Expected to reach pre-pandemic levels, which can be attributed to the restriction of student policy in Australia, Canada and the United Kingdom.
Post Study Work	<ul style="list-style-type: none"> Not expected to return to pre-pandemic levels. An increase in student visas is expected to lead to a gradual increase in uptake of Post- Study Work visas.
Work – Partnership	<ul style="list-style-type: none"> Expected to remain 85% of pre pandemic volumes.
Recognised Seasonal Employer	<ul style="list-style-type: none"> Forecast has increased by 20% to account for a potential cap increase.
Working Holiday Visas	<ul style="list-style-type: none"> Adjusted forecasts to reflect expectations of a return pre-pandemic levels in 2024.
Residence	
Residence – Family (Dependent Child, Parent Retirement and Partnership)	<ul style="list-style-type: none"> A gradual increase in applications is expected.
Skilled Migrant	<ul style="list-style-type: none"> Applications expected to increase as more AEWV holders become eligible to apply for this product.
Straight to residence	<ul style="list-style-type: none"> Limited data available for this group. There have been two major policy changes and the statistical model has been updated to reflect these changes.
Permanent residence visa (PRV)	<ul style="list-style-type: none"> Demand expected to increase over 2024 due to Resident Visa 2021 holders being eligible for PRV.

Annex 4: Summary of forecast expenditure (including cost pressures) based on recommended proposals

	2024/25	2025/26	2026/27	2027/28
Assessment and Processing Services	439.5	455.8	472.8	487.1
Crown funded (Crown)	1.2	1.2	1.2	1.2
Other (Revenue from other departments)	0.1	0.1	0.1	0.1
Levy funded (Immigration Levy)	35.5	37.1	39.1	40.2
Fee funded (Visa fees)	379.8	394.1	409.1	422.2
Fee funded (NZeTA)	23.1	23.3	23.4	23.4
Integrity and Security of the New Zealand Immigration System	88.1	91.2	94.3	97.1
Crown funded (Crown)	0.0	0.0	0.0	0.0
Other (Revenue from other departments)	2.2	2.2	2.2	2.2
Levy funded (Immigration Levy)	85.8	89.0	92.1	94.9
Settlement and Integration of Refugees and Other Migrants	88.7	86.9	81.5	82.4
Crown funded (Crown)	58.2	56.4	50.2	50.2
Other (Revenue from other departments)	2.0	1.8	1.8	1.8
Levy funded (Immigration Levy)	28.5	28.7	29.4	30.4
Services for the Attraction of Migrants	10.0	10.3	10.6	11.0
Crown funded (Crown)	0.0	0.0	0.0	0.0
Other (Revenue from other departments)	1.1	0.9	0.9	0.9
Levy funded (Immigration Levy)	9.0	9.4	9.7	10.1
Investor migrant attraction and support services (NZTE)	1.7	3.0	3.0	3.0
Levy funded (Immigration Levy)	1.7	3.0	3.0	3.0
Policy Advice and Related Services to Ministers – Immigration	8.3	8.3	8.3	8.3
Crown funded (Crown)	1.2	1.2	1.2	1.2
Levy funded (Immigration Levy)	7.1	7.1	7.1	7.1
Regulation of Immigration Advisers	3.8	3.8	3.8	3.9
Crown funded (Crown)	0.0	0.0	0.0	0.0
Levy funded (Immigration Levy)	1.9	1.9	1.9	1.9
Other (IAA Levy)	1.0	1.0	1.0	1.1
Other (IAA fee)	0.9	0.9	0.9	0.9
Learning Support and Alternative Education (ESOL)	62.9	62.9	62.9	62.9
Crown funded (Crown)	12.6	12.6	12.6	12.6
Levy funded (Immigration Levy)	50.3	50.3	50.3	50.3
Total Immigration System and ESOL Expenditure	703.1	722.2	737.2	755.6
Crown funded	73.1	71.3	65.2	65.2
Fee funded (Visa fees)	379.8	394.1	409.1	422.2
Fee funded (NZeTA)	23.1	23.3	23.4	23.4
Levy funded (Immigration Levy)	219.7	226.5	232.6	237.8
Other	7.4	7.0	6.9	7.0

Annex 5: Exceptions to using cost-to-serve estimate to set fee rate

Visa product	Basis for setting fee rate	Why the cost-to-serve (CTS) estimate was not used
Entertainment Industry accreditation (under Specific Purpose or Events instructions) – first year or subsequent	Current fee rate	No volume data available due to mapping limitations
Employer accreditation (upgrade from standard to high volume)	Current fee rate	No volume data available due to mapping limitations
Reconsideration of job check and employer accreditation application	Current fee rate	No volume data available due to mapping limitations
Any other residence category	CTS for Family Resident	No volume data available due to mapping limitations. Using Family Resident retains existing relative price
A grant of second or subsequent resident visa	CTS for Permanent Resident Visa	No volume data available due to mapping limitations. Using Permanent Resident visa retains existing relative price
Special directions (where an exception to immigration rules or requirements is made by the Minister of Immigration or delegated decision maker)	Current fee rate	No volume data available due to mapping limitations
Call-out fee where office is opened outside normal working hours to process immigration matter.	Current fee rate	No volume data available due to mapping limitations
Parent retirement category	90% of CTS for Entrepreneur Residence Category	CTS was less than half the current fee rate as it was based on general family resident category productivity, rather than Entrepreneur or Active Investor Plus visas that are more similar. 90% was based on relative effort to Entrepreneur, confirmed by subject matter experts.
Expression of Interest under Parent category AND Registration under Pacific Access Category	Current fee rates	CTS did not reflect that it took six times longer to process than registrations under the Pacific Access Category, as expressions of interest were grouped up within the “other” category of products.

Visa product	Basis for setting fee rate	Why the cost-to-serve (CTS) estimate was not used
Group visitor	Retained existing fee relative to standard visitor visas	CTS did not distinguish between Group visitor (which are processed in bulk, and therefore should have lower processing costs) and standard visitor visas. Visa processing subject matter experts confirmed the current relative price of between 1/5 or 1/6 of a visitor visa was a realistic measure of relative effort, which should continue to be used to set Group visitor visa fees.
New Zealand electronic Travel Authority	Current fee rates	CTS was only marginally higher than the current price. The current rate was maintained to minimise change on applicants
Request for supplementary seasonal employment approval in principle AND Approval in principle to recruit foreign crew of fishing vessels	Current fee rates	CTS was based on an average rate calculated across many low volume “other” products that don’t have a specific workforce allocation, and therefore didn’t provide a useful estimate of actual cost.

Annex 6: Combined schedule of fee and levy rates based on recommended proposals

Type of application	Current charges					Proposed charges				
	Current Fee rates (GST incl)			Current Immigration Levy	Total (Band A)*	Proposed Fee rates (GST incl)			Proposed Immigration Levy	Total (Band A)*
	Band A (New Zealand)	Band B (Pacific)	Band C (Rest of World)			Band A (New Zealand)	Band B (Pacific)	Band C (Rest of World)		
Residence class visa										
Skilled Migrant category	1,880	1,610	2,480	2,410	4,290	2,880	2,590	2,880	3,570	6,450
Entrepreneur Residence Category	3,710	3,710	3,710	3,150	6,860	11,320	11,320	11,320	3,570	14,890
Active Investor Plus Category	4,750	4,630	4,630	3,150	7,900	12,070	10,860	12,070	15,390	27,460
Residence from Work Category	1,090	-	-	3,150	4,240	2,920	-	-	3,570	6,490
Family Category	1,200	1,200	2,060	1,550	2,750	1,940	1,940	1,940	3,420	5,360
Dependent Child	1,200	1,200	2,060	1,550	2,750	1,830	1,830	1,830	1,400	3,230
Parent Retirement Category	3,710	3,710	3,710	1,550	5,260	9,430	9,430	9,430	3,420	12,850
Samoa Quota Scheme	820	800	-	-	820	820	800	-	-	820
Pacific Access Category	890	870	-	410	1,300	1,300	1,280	-	-	1,300
Employees of Relocating Business Category	1,200	1,200	2,060	3,150	4,350	1,940	1,940	1,940	3,570	5,510
Pitcairn Islanders	1,200	1,200	2,060	410	1,610	1,940	1,940	1,940	-	1,940
Any other residence category	1,200	1,200	2,060	*	*	1,940	1,940	1,940	*	*
Applications for:										
permanent resident visa (by a person holding resident visa or who previously held a resident visa)	240	240	240	-	240	315	315	315	-	315
A grant of second or subsequent resident visa	240	240	240	-	240	275	275	275	-	275
A variation of travel conditions on a resident visa	240	240	240	-	240	320	320	320	-	320
Expressions of Interest under Parent Category										
Hard Copy	550	550	550	-	550	575	575	575	-	575
Online	430	430	430	-	430	450	450	450	-	450
Registration under Pacific Access Category										
First year's registration	85	85	85	-	85	89	89	89	-	89
Second and subsequent year's registration	35	35	35	-	35	89	89	89	-	89
Temporary visa										
Visitor visa	190	150	190	21	211	300	255	300	41	341
Temporary Retirement Category visitor visa	3,710	3,710	3,710	80	3,790	7,750	7,750	7,750	41	7,791
Group visitor visa - Approved Destination Status (China) – offshore only	-	-	35	55	90	-	-	55	85	140
Other group visitor visa	55	55	55	55	110	86	86	86	85	171
Fee-paying student visa	280	220	300	95	375	485	410	485	265	750
Post-study work visa	490	410	490	210	700	320	270	320	1,350	1,670
Partnership/Work to Residence	650	650	650	210	860	570	570	570	1,060	1,630
Entrepreneur Work Visa	3,710	3,140	3,710	210	3,920	11,320	11,320	11,320	1,060	12,380
Working holiday scheme	210	-	210	210	420	215	-	215	455	670
Working holidaymaker extension	210	-	210	210	420	245	-	245	455	700
Accredited Employer Work Visa	540	540	540	210	750	480	480	480	1,060	1,540
Work visa – other	490	410	490	210	700	295	250	295	1,060	1,355
Reconsideration of decision to decline temporary visa	250	-	-	-	250	220	-	-	-	220
Limited visa										
Limited visa – student	280	220	300	95	375	485	410	485	265	750
Limited visa – Recognised Seasonal Employer	310	270	310	15	325	325	285	325	-	325
Limited visa – other	210	170	210	80	290	325	275	325	80	405
Transit visa										
Transit visa	180	180	180	-	180	235	235	235	-	235
Transit visa – group Chinese nationals (per person)	110	110	110	-	110	145	145	145	-	145
New Zealand Electronic Authority										
Request for traveller NZeTA made via INZ website	23	23	23	-	23	23	23	23	-	23
Request for traveller NZeTA made via mobile app	17	17	17	-	17	17	17	17	-	17
Request for transit NZeTA made via INZ website	23	23	23	-	23	23	23	23	-	23
Request for transit NZeTA made via mobile app	17	17	17	-	17	17	17	17	-	17
Request for crew NZeTA	17	17	17	-	17	17	17	17	-	17
Other matters – applications or requests by employers and organisations										
Approval in principle to recruit foreign crew of fishing vessels	6,310	-	-	-	6,310	6,610	-	-	-	6,610
Request for supplementary seasonal employment approval in principle	320	-	-	-	320	335	-	-	-	335
Recognised Seasonal Employer status	1,080	-	-	-	1,080	1,040	-	-	-	1,040
Agreement to recruit under Recognised Seasonal Employer instructions	290	-	-	-	290	280	-	-	-	280
Entertainment Industry accreditation (under Specific Purpose or Events instructions)										
First year's registration	2,200	-	-	-	2,200	2,310	-	-	-	2,310
Second and subsequent year's registration	620	-	-	-	620	650	-	-	-	650
Employer accreditation (under Accredited Employer immigration instructions)										
Employer accreditation (standard)	740	-	-	-	740	775	-	-	-	775
Employer accreditation (upgrade from standard to high volume)	480	-	-	-	480	505	-	-	-	505
Employer accreditation (high volume)	1,220	-	-	-	1,220	1,280	-	-	-	1,280
Employer accreditation (triangular employment)	3,870	-	-	-	3,870	4,060	-	-	-	4,060
Employer accreditation (franchisee)	1,980	-	-	-	1,980	2,080	-	-	-	2,080
Reconsideration of employer accreditation application	240	-	-	-	240	250	-	-	-	250
Job Check (under Accredited Employer immigration instructions)	610	-	-	-	610	735	-	-	-	735
Reconsideration of Job Check	240	-	-	-	240	250	-	-	-	250
Other matters – general										
Special direction	250	250	250	-	250	260	260	260	-	260
Residence class visa granted under section 61	1,080	-	-	-	1,080	1,510	-	-	-	1,510
Temporary entry class visa granted under section 61	460	-	-	-	460	640	-	-	-	640
Variation of conditions on a temporary entry class visa	210	210	210	-	210	325	325	325	-	325
Call-out fee where office is opened outside normal working hours in order to process immigration matter	360	360	360	-	360	375	375	375	-	375
Confirmation of immigration status	150	150	150	-	150	225	225	225	-	225
Transfer fee where visa stamp or label transferred from one passport or certificate to another	150	150	150	-	150	225	225	225	-	225
Endorsement indicating New Zealand citizenship										
First endorsement indicating New Zealand citizenship	170	170	170	-	170	225	225	225	-	225
Second and subsequent endorsement indicating New Zealand citizenship	110	110	110	-	110	225	225	225	-	225

Annex 7: Immigration fee and levy account balances based on recommended proposals

Immigration Visa fees (\$m)	2023/24	2024/25	2025/26	2026/27	2027/28
Opening Balance 1 July	48.7	50.1	28.0	23.5	6.7
Revenue	273.2	353.7	385.3	385.5	405.7
Expenses	(271.8)	(375.8)	(389.8)	(402.4)	(415.3)
Surplus/(Deficit) for the year	1.4	(22.1)	(4.5)	(16.9)	(9.6)
Closing Balance 30 June	50.1	28.0	23.5	6.7	(2.9)
NZeTA fees (\$m)	2023/24	2024/25	2025/26	2026/27	2027/28
Opening Balance 1 July	3.7	7.5	4.7	0.8	(4.1)
Revenue	28.0	26.4	26.7	27.0	27.0
Expenses	(24.2)	(29.2)	(30.6)	(31.9)	(32.8)
Surplus/(Deficit) for the year	3.8	(2.8)	(3.9)	(4.9)	(5.9)
Closing Balance 30 June	7.5	4.7	0.8	(4.1)	(10.0)
Immigration Levy (\$m)	2023/24	2024/25	2025/26	2026/27	2027/28
Opening Balance 1 July	(37.7)	(89.4)	(94.3)	(57.5)	(27.1)
Revenue	96.2	214.7	263.3	263.0	267.0
INZ Expenses	(142.7)	(158.8)	(164.2)	(170.3)	(175.6)
ESOL @ 80%	0.0	(50.3)	(50.3)	(50.3)	(50.3)
External Expenses	(5.3)	(10.6)	(11.9)	(11.9)	(11.9)
Surplus/(Deficit) for the year	(51.7)	(5.0)	36.8	30.4	29.2
Closing Balance 30 June	(89.4)	(94.3)	(57.5)	(27.1)	2.1

Annex 8: Final proposed fee and levy rates compared to those presented in April consultation

Key visa products	Forecast visa volumes (October 2024 - June 2027)	Current price (fee + levy)	Proposed Price (UPDATED)				Difference to April rates		Price of comparable Australian visa
			Fee	Levy	Total	% Change compared to current	\$ Increase (Decrease)	Percentage points	
NZeTA request									
eTA (mobile app)	3,809,750	17	17	-	17	0%	-	0%	-
Temporary visas									
Visitor	1,233,350	211	300	41	341	62%	-	0%	202
Group visitor	143,350	110	86	85	171	55%	(115)	-105%	202
Working Holiday	145,700	420	215	455	670	60%	-	0%	674
Students	300,500	395	485	265	750	90%	-	0%	754
Post-study work	12,700	700	320	1,350	1,670	139%	(220)	-31%	2,011
Partnership (work)	106,150	860	570	1,060	1,630	90%	(45)	-5%	N/A
Entrepreneur (work)	50	3,920	11,320	1,060	12,380	216%	1,570	40%	6,779
Variation of conditions on a temporary entry class visa	35,650	210	325	-	325	55%	(115)	-55%	N/A
Accredited Employer Work Visa (AEWV) - migrant check	149,450	750	480	1,060	1,540	105%	-	0%	1,545
Employers									
AEWV accreditation (standard)	81,150	740	775	-	775	5%	30	4%	445
AEWV job check	93,550	610	735	-	735	20%	120	20%	350 plus 1,270+ annual levy
Agreement to recruit under Recognised Seasonal Employer Scheme	2,550	290	280	-	280	-3%	(10)	-3%	N/A
Recognised Seasonal Employer Status	450	1,080	1,040	-	1,040	-4%	(40)	-4%	445
Residence visas									
Skilled Residence pathways (Resident)	35,300	4,290	2,880	3,570	6,450	50%	-	0%	4,925
Partnership / Parent (Resident)	35,750	2,750	1,940	3,420	5,360	95%	(640)	-23%	9,389
Parent Retirement (Resident)	450	5,260	9,430	3,420	12,850	144%	6,190	118%	51,235
Dependent Child (Resident)	6,550	3,610	1,830	1,400	3,230	-11%	-	0%	3,238
Active Investor Plus (Resident)	100	7,780	12,070	15,390	27,460	253%	(2,690)	-35%	18,226
Permanent Resident Visa	65,150	240	315	-	315	31%	(30)	-13%	N/A
Pacific visas									
Limited Visa - Recognised Seasonal Employer (RSE)	41,100	285	285	-	285	0%	-	0%	377
Samoa Quota	1,200	800	800	-	800	0%	-	0%	N/A
Pacific Access Category	550	1,280	1,280	-	1,280	0%	-	0%	N/A

0-50% increase to charge compared to current

50-100% increase to charge compared to current

100% plus increase compared to current

Annex 9: Summary of Submissions

Consultation was undertaken with: Education New Zealand (ENZ), Hospitality New Zealand (HNZ), Immigration Advisor Reference Group (IARG), Immigration Focus Group (IFG), Immigration Reference Group (IRG), New Zealand Council of Trade Unions (NZCTU), New Zealand International Students' Association (NZISA), New Zealand Trade & Enterprise (NZTE), Pan Sector Alliance, Tourism Industry Aotearoa (TIA) & Tourism Export Council of New Zealand Submission (TECNZ), Tourism New Zealand (TNZ), and the Union Network of Migrants (UNEMIG).

Theme	Summary of comments	Submitter(s)	MBIE response	Recommended action
The immigration system should be more efficient because of increased costs for users.	<p>Several submitters noted that applicants will expect improved services and timeliness processing with higher fees.</p> <p>Several stakeholders noted that some migrants may be willing to pay an increased price if that meant priority processing.</p>	Free and frank opinions	<p>A complementary priority for MBIE is that the immigration system is efficient and effective.</p> <p>MBIE is reviewing its service model for the end-end visa process, to improve efficiency of visa assessment and processing and manage and identify risk. This includes moving all visa products onto the ADEPT platform, which is expected to increase efficiency through the automation of some tasks. MBIE will report quarterly to the Ministers of Finance and Immigration on headcount, efforts to improve efficiency and the productivity per visa product, and any associated efficiency savings.</p>	Key messages on final fee and levy rates will include the rationale for changes specifically that the Government is looking to reduce its share of funding and that users of the system more fully meet the costs for the benefits they receive or risks they create.
The cumulative costs on migrants and users need to be considered.	<p>Stakeholders emphasised the importance of considering the cumulative impact multiple potential fee increases and costs in relation to competitors, will have on how New Zealand is viewed. The International Visitor Conservation and Tourism Levy (IVL) was regularly cited because it is required to be reviewed by July 2024 (we understand public consultation on changes to the IVL will commence on 9 May).</p> <p>There is also a cumulative cost for migrants or users who engage with the system multiple times.</p> <p>Submitters representing international students noted that the overall cost is always a factor for students in (a) determining if they can afford to study overseas, and (b) choosing between countries when other factors are broadly similar. An increase in visa charges will likely have an impact on demand.</p>		Advice provided to Ministers takes into account the cumulative costs.	Key messages to acknowledge that cumulative costs have been taken into account.
Proposed charges are inconsistent with Government priorities to revive international education and double export revenue.	<p>Stakeholders expressed the concern that any gain in revenue from increased visa costs (assuming no impact on demand) will be inconsequential compared with the downside risks to New Zealand's reputation and export earnings.</p> <p>Some submitters noted that New Zealand should be proactive about attracting people to New Zealand. The price increases are substantial and sends a poor signal to businesses, visitors, students and migrant workers. Tourism stakeholders noted changes would predominantly affect visitors travelling from India, China, Indonesia and Thailand.</p> <p>Some submitters expressed concern that the proposed increased fee and levy could potentially send a damaging signal to potential migrants and make it harder to attract visitors, students, workers</p>		<p>A priority for the Government is that the immigration system is efficient, self-funding and sustainable. The Government is looking to reduce the proportion of Crown funding for the immigration system and that users of the system more fully fund the system.</p> <p>Any concern about an impact on export earnings is based on an assumption that demand will be significantly less, and there is no evidence to support this. The other factors that make New Zealand an sought after place to study (lifestyle, quality of our education institutes) will continue to attract international students.</p>	Key messages on final fee and levy rates will include note priorities for the immigration system, rationale for changes and work the Government has underway to support tourism and international education sectors.

Theme	Summary of comments	Submitter(s)	MBIE response	Recommended action
	<p>or investors to in New Zealand, particularly where the proposed increase is significant.</p> <p>The immigration system needs to be efficient, transparent, and competitively priced to build on New Zealand’s desire to be a destination of choice for tourists or international students.</p>	Free and frank opinions		
Divergent views in relation to charges on employers.	<p>Some submitters expressed concern that a levy rate is not charged to employers even though they benefit significantly from levy-funded services and/or create risk in the immigration to be managed. There was explicit feedback to enable employers to be charged directly, and for the broader benefits of the system that they receive, to reduce the costs on migrants alone.</p> <p>Stakeholders representing businesses were concerned that the fee charges are “on-size-fits-all” and do not take account of different employer risk profiles. They also commented in the context of an economic downturn and it placing pressure on businesses, particularly for those who also bear the cost of visa applications.</p>		<p>The scope of the fee and levy review is based on current legislative, policy and operational settings.</p> <p>The proposed fee for employers is based on the cost to fully recover direct and indirect costs for immigration services. Employers are not charged a levy, as this is not authorised under the Immigration Act 2009 (the Act). Therefore, they are not contributing to the funding of any levy-funded activities from which they benefit (e.g. compliance activity or broader infrastructure costs). An amendment to the Act would be required to expand the levy payer based <small>Confidential advice to Government</small></p>	Key messages will outline what fees and the immigration levy can be used for and who can be charged as set out in the Act.
Proposed charges could have unintended consequences.	<p>Some stakeholders expressed concern that there is an increased risk of people being unable to afford to regularise their immigration status and/or exploitative practices within the immigration system.</p> <p>Some submitters noted the impact of price increases for particular groups eg families (which could have a greater aggregate impacts), students, and migrants from lower-income countries. Submitters noted that perceptions about costs may differ between countries as some countries are more price sensitive than others. The decision-making process for migrants may shift, as alternative countries with favourable fee structures may be preferred.</p>		<p>MBIE has included in its advice potential unintended consequences as a result of proposed rates specifically that:</p> <ul style="list-style-type: none"> • some migrants may be unable to afford to regularise their immigration status • lower socio-economic migrants would likely still choose to migrate to New Zealand, irrespective of the financial burden • “bad actors” could further exploit vulnerable migrants. 	MBIE will monitor requests for Ministerial intervention and any compliance/investigation activities related to proposed increases.
Immigration charges are only one component of competitiveness.	<p>Several stakeholders noted that while the proposed fees would be comparable with Australia’s immigration charges, there are other factors to consider and impact migrants’ decisions to travel here: including cost-of-living, wages, study costs, investment opportunities, and travel costs.</p> <p>Submitters emphasised how New Zealand compares to the United Kingdom, Canada and other emerging competitors (ie Singapore for international study) is also relevant. Submitters expressed the concern that increased visa charges may harm the welcoming image of New Zealand as a cheaper destination, and potentially encourage prospective migrants to choose other destinations.</p>		<p>MBIE has expanded its advice to Ministers. Fee rates cover the direct and indirect costs associated with visa assessment. Levy rates have been set with a lower rate for temporary migrants and a higher rate for residence which reflects the benefits received or risks created.</p> <p>MBIE monitors visa volumes, revenue and expenditure and reports quarterly to the Ministers of Finance and Immigration.</p>	Key messages will acknowledge that immigration visa charges are one cost associated with migration and that MBIE monitors visa volumes, with quarterly reporting to Ministers.
Greater transparency	Several stakeholders expressed concerns that the proposed increases will likely attract significant adverse public commentary,		Advice provided to Ministers on the potential risks and anticipated public/media commentary.	Key messages will address the points raised by stakeholders,

Theme	Summary of comments	Submitter(s)	MBIE response	Recommended action
<p>and improved communications about immigration charges is required.</p>	<p>particularly from key sectors and immigration system stakeholders. Stakeholders appreciated the clarity provided through the presentation on the proposals.</p> <p>Stakeholders representing international students noted the likelihood of media commentary both in New Zealand and internationally being uniformly negative if fees rise. In particular, students would be disappointed at higher costs, and agents could recommend other study destinations.</p> <p>Many stakeholders commented on the need for improved communications about the rationale for the charges, the share of costs applicants will now be meeting and what they cover. Stakeholders noted that when migrants are working with an agent, they are often charged a general 'immigration fee', leading to a lack of transparency about visa charges.</p> <p>Several stakeholders noted that it was not apparent that Government has been subsidising visas or visitors coming into the country. Submitters noted the lack of transparency about what New Zealand immigration visa charges cover.</p>	<p>Free and frank opinions</p>		<p>including outlining the rationale for the changes and what the fees and levies and who can be charged as set out in the Act.</p>
<p>Concerns about the impact on the Indian and Chinese markets</p>	<p>Tourism stakeholders commented that two key markets - India and China - would be most affected. The Indian tourism is emerging and higher visa charges could mean visitors choose to competitor destinations. There is work to actively attract more visitors from India and increased charges could run counter to this. For both markets visa processing timeliness is a priority, while it has improved, negative perceptions persist.</p> <p>China and India are also key markets for international education. Education stakeholders commented that potential students could perceive New Zealand as too expensive and choose competitor destinations. Stakeholders informed MBIE that Indian students are more price sensitive compared to China.</p>		<p>Visa volumes data shows significant growth in the Indian visitor market (58 per cent between 2019-2023). China visitor volumes remain steady, but have not returned to pre-COVID levels, predominantly because of China's economic conditions.</p> <p>Visa timeliness is a priority for INZ. Between January – March 2024, INZ processed 87 per cent of visitor visas within 20 working days, exceeding its performance target of 75 per cent. Applications from India have a higher decline rate compared to China which contributes to slower processing times. INZ has also been engaging with the agents in the Indian market on application requirements to lift the quality of applications.</p> <p>Overall, the student visa charges are a small component of the total costs of international study (travel, living, course costs and agent fees). New Zealand's student visa settings and requirements remain competitive with Migration Five (M5) countries (Australia, Canada, the United Kingdom and the United States).</p>	<p>Monitor visa volumes, timeliness and approval rates for visitors and students from China and India.</p>