# Regulatory Impact Statement

## Review of Immigration Fees 2012

### Agency Disclosure Statement

This Regulatory Impact Statement has been prepared by the Department of Labour.

It provides an analysis of options to ensure that immigration fees reflect the cost of delivering immigration services, in line with fee principles set by Cabinet and Treasury guidelines for charging public sector fees.

Immigration fees are reviewed regularly by running a fees model, including a cost calculation and allocation engine, which takes account of forecast visa volumes, forecast operating costs and the balance of the immigration memorandum account. Setting immigration fees involves estimating two vital and related factors, the underlying trend in application volumes and the impact of price changes on this trend.

Increases to immigration fees are proposed. Fee increases impose additional costs on foreign nationals applying to visit, study, work or move permanently to New Zealand. Even with the proposed increase, however, immigration fees would still represent a small proportion of the overall cost of visiting or moving to New Zealand.

The proposed option is consistent with policy guidelines for public sector fee charging and with the Immigration Act 2009. There are, however, minor re-distributional effects on the users of immigration services.

None of the options considered are likely to have effects that the Government has said will require a particularly strong case before regulation is considered.

The Department of Labour has reviewed this Regulatory Impact Statement and considers it meets the quality assurance criteria.

Michael Papesch, Chair Regulatory Impact Statement Review Panel, Policy and Research Group, Department of Labour

[Date]

## Status quo

Vote Immigration appropriated expenditure is $211.451 million in 2011/12. Immigration services[1] are funded from two sources: users of immigration services (59 percent) and taxpayers, via the Crown (41 percent). Fee revenue is made-up of the following broad visa types (based on 2011/12):

- Residence visas 35%
- Visitor visas 22%
- Work visas 21%
- Student visas 15%
- Other 7%

Immigration fees are prescribed by regulations made under section 400-402 of the Immigration Act 2009. Fee setting is guided by a set of principles agreed to by Cabinet [EXG Min (06) 3/8 refers]. The immigration fee principles aim to ensure that the level of immigration fees reflect the costs of delivering immigration services, are reasonably stable over time, and align with the Government's immigration objectives. Fee payers cover most of the direct and indirect costs of deciding immigration applications.

Immigration New Zealand (INZ) is a global business and application volumes vary from year-to-year. A memorandum account records surpluses and deficits in fee revenue to manage the volatile demand for immigration services.

## Problem definition

*Summary of the key problem*

Immigration fees are not recovering the cost of delivering immigration services. Vote Immigration is facing a revenue shortfall resulting from lower than forecast application volumes.

As well as a revenue shortfall, Vote Immigration is facing operating cost pressures of $71.8 million over the next four years from 2012/13. The Department has committed to savings and efficiency reductions to meet these cost pressures and any further savings would require a service reduction.

In the absence of a fee increase, or a considerable reduction in service quality standards, the Department would continue to accumulate deficits and face cash flow issues from late 2012/13.

*Forecast volumes*

Application volumes dropped by 3.4 percent in 2009/10 and a further 2.1 percent in 2010/11. Like other OECD countries, New Zealand has been affected by the global financial crisis. Migrants are less willing and able to migrate and fewer job offers have been available. The Canterbury earthquake also affected visa processing and application volumes in that region. Applications are forecast to rise by an average of 3.3 percent over the next three years across all visa types.

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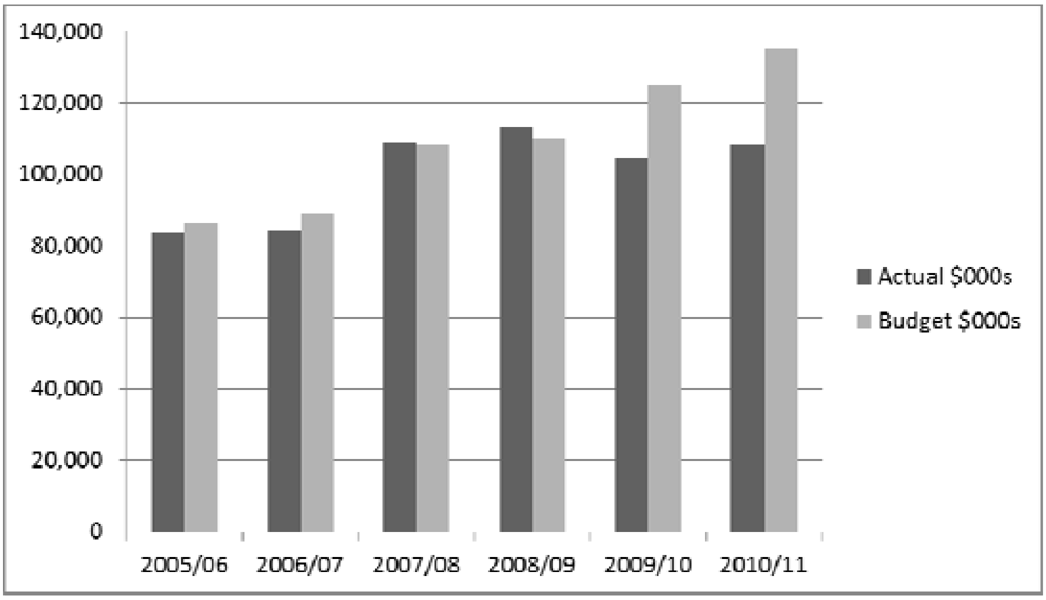
[1] Immigration services include decision making on immigration applications (covered in this RIS), compliance, border protection and security functions, refugee-related functions, and policy development.

Diagram one below shows actual revenue compared to forecasted revenue from 2005/06 to 2010/11.

*Diagram one: forecast and actual revenue, 2005/06 to 2010/11*




*Immigration New Zealand's operating model*

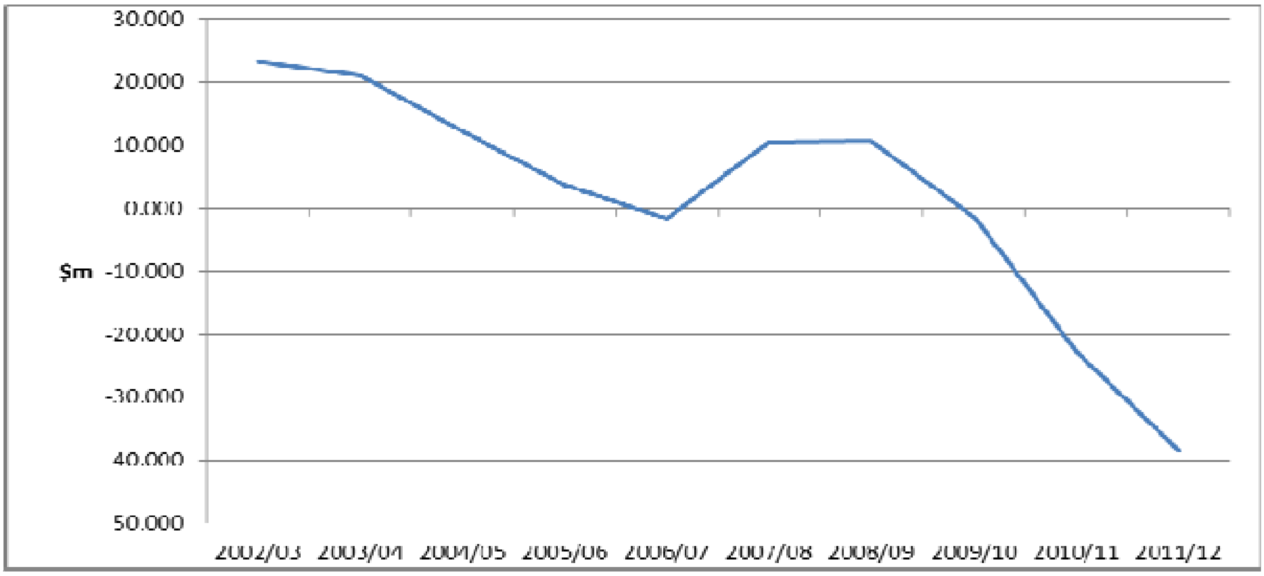
The current operating model is not sustainable. Approximately 85 percent of INZ's expenditure is associated with permanent staff, property, depreciation and related costs. Global service delivery is based on 'bricks, mortar, people and paper', making it hard for INZ to reduce costs to match reduced revenue when volumes decline. Previous increases in the demand for immigration services have been met through increasing staff numbers and INZ's physical branch network.

In the medium term, a new technology-enabled operating model will contribute to reducing service delivery costs. Cabinet has approved funding for the development of the Immigration Global Management System (IGMS) [CAB Min (11) 10/8 refers]. The new lower-cost operating model does not, however, address the immediate funding (or cash) shortfall.

*Impact on the memorandum account and INZ service standards*

The memorandum account recorded a deficit of $22.7 million as at 30 June 2011 and is forecast to face an accumulated deficit of $38.4 million by 30 June 2012. Diagram two below shows how the memorandum account balance has tracked since 2002/03. Assuming forecasted volume increases, the memorandum account deficit is expected to increase to $90 million by 2015/16, introducing cashflow problems for the Department from 2012/13.

*Diagram two: memorandum account balances*




While volumes have been lower than forecast, spare capacity has been used to enable INZ to significantly improve service standards to the level expected by Government[2]. Any further cost savings (to address the revenue shortfall) would require a service reduction, meaning the service improvements achieved would not be sustained.

*Setting immigration fees*

Identifying the appropriate level at which immigration fees should be set involves assessing two vital and related factors, the underlying trend in application volumes and the impact of different price changes on this trend. An acceptable balance is required between ensuring:

- the memorandum account trends towards zero over a reasonable period
- sufficient resource to maintain acceptable service standards
- that fees are kept relatively stable over time which is considered to be good for the market as well as reducing compliance costs associated with updating changes. There is, however, a trade-off between price stability and flexibility of response to volume changes and varying costs, and
- that users are not unduly over or under charged (noting that it is impossible to correctly charge each user for the exact cost incurred, meaning that a degree of cost-subsidisation is inevitable).

Migration forecasting is inherently difficult because of the range of push and pull factors that influence individuals' migration choices. Given fluctuating volumes, and (under the current operating model) varying costs, a degree of over-recovery is sometimes required to balance the memorandum account and ensure service standards can be maintained.

[2] For example, visa decisions rated as 'good' have increased from 36% in September 2009 to 88% in September 2011. Timeliness of visa decision-making has improved across all categories over the same time period.

## Objectives

There are four key objectives for the regulatory change proposed:

- maintain an appropriate **balance between price and quality/timeliness** so that INZ continues to deliver to acceptable quality standards

- **enable infrastructure development** – so that the Department can continue to invest in Departmental assets (including replacement assets) and the development of IGMS. Cabinet noted that IGMS is self-funding and will not require an increase in immigration fees or an increase in cash funding from the Crown for operating costs [CAB Min (11) 10/8 refers]. The Department needs to maintain sufficient cash to fund IGMS operating costs off the balance sheet

- **balance the memorandum account** over a reasonable time period, and

- **consistency with fee principles** – so that immigration fees are consistent with guidelines for public sector fee charging and immigration fee setting principles. These are summarised below.

*Guidelines for public sector fee charging*

Government's key objective is that user charges are set to[3]:

a) encourage appropriate decisions on the volume and standard of services supplied, with regard to:

   - the efficient use of resources (e.g. decision-making resources follow application volumes), and

   - the outcomes the Government is seeking (e.g. high-value tourism)

b) minimise the cost of supplying the relevant services, and

c) keep transaction costs and evasion low.

*Immigration fee setting principles*

Cabinet has agreed to the following principles to guide the setting of immigration fees [EXG Min (06) 3/8 refers]. Fees should be:

a) based on an appropriate split of funding responsibility, between people who pay fees and charges on the one hand, and the Crown (on behalf of the taxpayer) on the other

b) set at levels which recover the actual costs involved in delivering services rather than substantially over or under recovering those costs

c) reasonably stable over time and not move sharply up or down from one year to another, and

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[3] *Guidelines for setting charges in the public sector*, The Treasury, December 2002.

d) aligned with the Government's policies and overall goals.

## Regulatory impact analysis: non-regulatory options

Seven options have been analysed comprising four regulatory and three non-regulatory options. These options represent a broad coverage of the range of approaches available to ensuring immigration fees are set at an appropriate cost recovery level. In this respect, the options demonstrate the range of possible choices and trade-offs involved. Each option is described below, followed by a summarised analysis of each option against the objectives identified.

### *Option One: the status quo*

Under this option, no action would be taken to address the revenue shortfall of the memorandum account deficit. Immigration fees are currently under-priced (based on the current operating model). The Department would continue to accumulate deficits with the memorandum account deficit increasing to $90 million by 2015/16. With no fee increase (or any other mitigating action), the Department's working capital ratio (current assets - current liabilities) is forecast to reduce from 0.9:1 at 30 June 2011 to 0.3:1 at 30 June 2013, and by late 2013 the Department's cash reserves would be fully used.

### *Option Two: further cost savings to clear the current memorandum account deficit*

The Department has already committed to cost savings and efficiencies to meet cost pressures of $71.8 million over the next four years. This is equivalent to average annual savings of eight percent of the Vote's cost.

Under this option, Vote Immigration would need to identify further cost savings of $18.94 (nine percent) million per annum to reduce the memorandum account deficit to $14.4 million in four years. Additional cost savings of $22.59 million (11 percent) per annum would be required to clear the memorandum account deficit in four years.

This level of additional savings is not possible without impacting on current service standards and volumes of applications processed. Further cost savings of $18.94 million per annum would involve a third of current annual visa applications **not** being processed (equivalent to stopping all residence processing or 120,000 fewer temporary entry applications).

### *Option Three: an injection of Crown funding to clear the memorandum account deficit*

A capital injection from the Crown could be sought to clear the memorandum account deficit. Crown funding of $38.4 million by 30 June 2012 would clear the current deficit and resolve immediate cash flow problems for the Department.

This option would represent a temporary fix. Based on current forecast volumes with no fee increase, the memorandum account would balance at zero in 2011/12, but would accumulate deficits each year, resulting in a closing deficit of $51.9 million by 2015/16. While this option would address the Department's cash flow issues in the short-term, its working capital ratio would reduce to 0.4:1 by 2015/16.

## Regulatory impact analysis: regulatory options

Increasing immigration fees is the only regulatory option available to meet the current revenue shortfall. The immigration fees structure contains a number of cross-subsidisations between fee types and across fee bands. Increasing immigration fees therefore raises two questions:

- how much should fees be raised by, and
- should the existing cross-subsidisations remain?

### *How much should fees be increased by?*

A key consideration is the impact on demand. While visa application volumes are volatile, the impacts of previous fee increases suggests visa markets are relatively price inelastic and volumes do not appear to be affected by fee increases.

*Temporary migrants*

The most price sensitive visitors are likely to be tourists on budget packages. Chinese tourists, for example, are currently a growth market. Group visas and the Approved Destination Status (ADS), however, serve to keep New Zealand's visa prices relatively lower for this group.[4] Fee increases may provide a competitive disadvantage for other groups of tourists making a choice between Australia and New Zealand. Eighty precent of temporary visitors, however, travel to New Zealand visa-free and would not be affected by price increases. Overall, an increase in visitor visa fees is not expected to impact on tourist numbers.

For other temporary visas, price inelasticity is likely to be influenced by the cost of a visa relative to the other costs associated with studying or working in New Zealand. It is difficult to isolate out visa fees from the range of factors that impact on an individual's decision to study or work in New Zealand. Table one below provides an indication of approximate costs incurred by students and temporary workers in getting to New Zealand (initial start up costs only). It demonstrates the relatively small percentage of overall costs that visa fees typically represent.

*Table one: approximate initial costs for students and temporary workers*

| Cost | Student (China or India) $NZD | Work (UK) $NZD |
|---|---|---|
| **Return airfare** | $2,500 | $2,500 |
| **Visa fees** | $230 | $230 |
| **Other visa requirements** | $15,000 for living costs | N/A |
| **Set-up costs (bond and flat set-up)** | N/A – included in living costs above. | $1,500[5] |
| **Student fees, including levies** | $25,000 p/a (L7 and above course) | n/a |
| **Travel/health insurance** | $600 | $600 |
| **Total** | $28,330 | $4,330 |
| **Visa fees as a percentage of total costs** | 0.8% | 5% |

[4] For example, under current fees, the Group visa fee for Chinese nationals is $NZD70 and the ADS fee is $NZD45, compared to the Visitor Visa fee of $NZD140.

[5] Victoria University, Financial Survival Guide 2012.

*Permanent migrants*

Skilled migrants and those seeking to be reunited with family members in New Zealand are likely to be the least price sensitive. In the case of skilled migrants, there are a range of push and pull factors that influence migration choices. Factors such as economic prospects, job opportunities, real wages and the relative cost of living, entitlements to health and education services and the exchange rate are likely to be more significant considerations than visa fees.

*Pacific migrants*

Pacific migrants (both temporary and residence) are likely to be more price sensitive than migrants from other regions because of relatively lower average incomes. The World Bank income classification, for example, lists Samoa and Tonga as low-middle income countries (based on 2010 Gross National Income per capita). Average incomes in these Pacific Island States range from NZ$1,219 - $4,815. The relative price sensitivity of this market is recognised by the Pacific fees band which provides reduced prices for key visa types.

***Three regulatory options for increasing fees have been considered***

***Option Four: a fee increase of 20 percent***

An overall average increase of 20 percent would result in estimated additional revenue of $22.59 million per annum, clearing the memorandum account deficit (excluding the impacts of IGMS) in four years. This option recovers costs over four years, but would over-recover in the longer term.

***Option Five: a fee increase of 16.7 percent***

An overall average increase of 16.7 percent would result in estimated additional revenue of $18.94 million per year, reducing the memorandum account deficit (excluding the impacts of IGMS) to $14.4 million in four years. This option largely recovers costs and reduces the level of over-recovery in the longer term.

***Option Six: a fee increase of 12.5 percent***

An overall average increase of 12.5 percent would result in estimated additional revenue of $14.2 million per year, reducing the memorandum account deficit (excluding the impacts of IGMS) to $33.6 million in four years. This option does not recover costs.

In addition to the cost savings of $71.8 million already committed over the next four years, the Department would need to find additional savings of $4.8 million per annum under this option. This would require INZ to further reduce its staffing by 72 FTE positions, resulting in approximately 37,000 fewer visas being processed each year and a consequential additional reduction in fee revenue of $6.9 million per annum (not accounted for in the estimated additional revenue of $14.2 million).

***Option Seven: a fee increase combined with removing the cross-subsidisation across fee types***

The Immigration Act 2009 allows for a degree of cross-subsidisation in the charging of fees. Section 393 6 (a) states that fees may be determined by calculations that involve averaging costs. Removing the current cross-subsidies would ensure prices reflected actual processing costs. It would, however, require a number of sizeable increases and decreases in key application types.  For example, in Band B (Pacific), the visitor visa fee would need to increase by 73 percent (from $110 to $195) and the work visa in Band C (other) would need to increase by 139 percent (from $230 to $550).

### *Summary of regulatory impact analysis*

Table two below summarises the costs and benefits of each option and assesses the extent to which they meet the desired objectives.

*Table two: Regulatory impact analysis*

| Option | Objective: balances price and quality/timeliness | Objective: enable infrastructure investment (working capital ratios exclude the effects of IGMS) | Objective: balances memorandum account over reasonable time-frame | Objective: consistent with strict fee principles | Costs | Benefits |
|---|---|---|---|---|---|---|
| 1. Status quo | No – current service standards could not be met. INZ would need to reduce service standards and/or volumes. | No – the Department's forecast working capital ratio as at 30 June 2012 is 0.6:1 and by late 2013 the Department's cash reserves would be completely used.<br><br>The Department's investment in infrastructural assets (including replacement assets) would need to cease.<br><br>The Department would not have sufficient cash to fund IGMS operating costs off its balance sheet. | No – the memorandum account deficit would increase to $90 million by 2015/16. | No – fees are under recovering. | Cash flow problems for INZ from 2012/13 and introducing fiscal risk for the Government.<br><br>Costs would be passed to users through a service reduction.<br><br>Government's immigration policy objectives would not be met. | Maintains stable pricing – no fee increase. |
| 2. Further Cost Savings (to clear memorandum account deficit) | No – branch closures would be required and service standards would need to be re-negotiated. | Yes – however making additional savings now would jeopardise the savings that could be achieved through IGMS. | Yes | No – fees are under recovering. | $22.59 million per annum cost savings required by Vote Immigration.<br>These costs would be passed to users through a service reduction.<br><br>Government's immigration policy objectives would not be met. | Maintains stable pricing – no fee increase. |
| 3. Crown funding to clear the memorandum account deficit. | Yes – in the short term. | Partially – while short term cashflow needs would be met, the Department's cash | No - incorrect pricing of services would result in a deficit in the memorandum account | No – fees are under recovering. | Additional Crown funding of $38.4 million in 2012/13. | Reduces third party fee increases, as service users are subsidised by the taxpayer. |

| Option | Objective: balances price and quality/timeliness | Objective: enable infrastructure investment (working capital ratios exclude the effects of IGMS) | Objective: balances memorandum account over reasonable time-frame | Objective: consistent with strict fee principles | Costs | Benefits |
|---|---|---|---|---|---|---|
| | | balance would continually be eroded with a forecast working capital ratio at 30 June 2016 of 0.4:1.<br><br>The Department's investment in infrastructural assets (including replacement assets) would need to be substantially reduced to enable a return to a working capital ratio of 1:1.<br><br>The Department would not have sufficient cash to fund IGMS operating costs off its balance sheet. | of $51.9 million by 2015/16. | | Reduces efficiency incentives. | Maintains stable pricing |
| 4. Fee increase of 20%. | No – maintains current service standards but users are paying more than absolutely necessary for the level of service received. | Yes – the Department's working capital ratio would be restored to 1.18:1 by 2015/16. | Yes – the memorandum account deficit would be cleared by 2015/16. | Yes – fees are recovering costs over four years, but over-recovering in the longer-term. | Users of immigration services pay more than necessary to cover costs, maintain standards and enable infrastructure investment. | Considerably lowers fiscal risk to the Crown. |
| 5. Fee increase of 16.7% - preferred option. | Yes – maintains service standards. | Yes – the Department's working capital ratio would be restored to 1.1:1 by 2015/16. | Yes – the memorandum account deficit would be reduced to $14 million by 2015/16. | Yes – fees are largely recovering costs. | Users of immigration services pay more. | Moderate fee increase which reduces the fiscal risk to the Crown. |
| 6. Fee increase of 12.5 %. | No – staff reductions would be required resulting in around 37,000 less visas being processed each year. | Partially – the forecast working capital ratio at 30 June 2016 is 0.7:1.<br><br>The Department's | No – the memorandum account deficit would be $33.6 million by 2015/16. | No – fees are under-recovering. | Costs would be passed to users through a service reduction.<br><br>Government's | Reduces the overall fee increase (compared to option 5) by 4.2%. |

| Option | Objective: balances price and quality/timeliness | Objective: enable infrastructure investment (working capital ratios exclude the effects of IGMS) | Objective: balances memorandum account over reasonable time-frame | Objective: consistent with strict fee principles | Costs | Benefits |
|---|---|---|---|---|---|---|
| | Recent service delivery improvements would not be maintained, resulting in a reduction in the quality and timeliness of application processing. | investment in infrastructural assets (including replacement assets) would need to be reduced to enable a return to a working capital ratio of 1:1.<br><br>The Department would not have sufficient cash to fund IGMS operating costs off its balance sheet. | | | immigration policy objectives would not be met. | |
| 7. Remove cross-subsidisation (combined with options 4 or 5 above) | Yes – provided combined with either options 4 or 5 above. | Yes - the Department's working capital ratio would be restored to 1:1 by 2015/16. | Yes – provided combined with either options 4 or 5 above. | No – some visa fees would need to increase/decrease significantly. Fee setting principles state fees should be relatively stable over time. | Significant increases and decreases would be required to some application types. | Correct pricing – each fee reflects actual processing costs. |

## Consultation

Substantive points raised by the Government agencies consulted are set out below. The Department's response is also provided.

| Agency | Advice | Departmental response |
|---|---|---|
| **The Treasury** | The fees review should include analysis of a lower fee increase. | The Department has included an analysis of an additional option of a 12.5 percent fee increase |
| | The option of 'further cost savings' is not stand alone and should be analysed in terms of different percentage fee increases (and therefore varying levels of savings required). | As above, an additional option of a 12.5 percent increase has been included which would require additional cost savings of $4.8 million per annum. |
| | The objective relating to service standards should be reframed to allow analysis of cost/quality tradeoffs. | The Department agrees and the objective has been reframed. |
| | More detail is required to support the assumption that demand is inelastic. | The Department agrees and has expanded this discussion. |
| | The cost pressures of $69.1m need to be broken down. Further explanation of what 'cash flow problems' means in practice is required. | The key problem the proposals seek to address is a revenue shortfall. The Department has committed to meeting cost-pressures and considers that sufficient information is provided. Further detail has been included to describe the cash flow problem. |
| **Ministry of Foreign Affairs & Trade** | The current partial cost-recovery model is likely to become increasingly unsustainable as we continue to strive for means to further facilitate visitors to New Zealand. | The Department is proposing to review the current funding model, and when the new IGMS enable operating model becomes fully operational, the immigration fees structure. |
| **Ministry of Pacific Island Affairs** | An increase to immigration fees will have a negative impact on Pacific families. | The relative price sensitivity of the Pacific has been noted. This is recognised through the Pacific fees band which provides reduced prices for key visa types. |
| **Department of Internal Affairs** | The proposed increase to the fee for a first-time endorsement of NZ citizenship in a foreign passport would make this fee similar to the current cost of a NZ passport. | The Department has reviewed the proposed increase and now proposes to maintain the existing fee for this product. |
| **The Department of Prime Minister & Cabinet, Customs & the Ministries of Justice & Economic Development, the Department of Internal Affairs (Office of Ethnic Affairs)** | No comment or no substantive feedback received in response to draft proposals. | |

The following Crown Entities were consulted

| | | |
|---|---|---|
| **Tourism New Zealand** | In terms of the Asia market a fee increase will be perceived as the second increase in a year (30% increase). However, we don't think the cost of a visa has great influence on choice of destination and the choice will likely be made before the cost of a visa is known. We do think the (proposed) changes provide a competitive disadvantage for travellers making a choice between Australia and New Zealand as a destination. | The risk of introducing a competitive disadvantage to Australia is noted. |

Other countries were consulted about their experience of visa fee increases and whether they had conducted any research on the elasticity of demand for immigration services in their jurisdiction. Responses received are summarised below (Australia was consulted but no response has been received to date).

| **Country** | **Advice** |
|---|---|
| UK | It has not been possible to identify any impact on immigration application volumes of the fee increases over the last 10 years. For example, student numbers have risen despite fee increases. Where volumes have changed, it is not possible to isolate the effect of wider policy changes from the effect of fee increases.<br><br>Extensive research was carried out in 2007/2008 to examine the level of fees that migrants were prepared to pay. This concluded that fees are only one factor among many others that migrants consider and there was no evidence of any correlation between fees and volume demand. Since then, the volume demand has supported the view that fee effects are either inelastic or the fees are not yet at a level that would impact on demand. |
| Canada | No current research on price sensitivity is available. |
| Finland | No changes have been noticed in application volumes when fees have increased. |
| Germany | Fees charged are quite moderate and it is unlikely that changes to fees have had a negative impact on volumes. It is safe to assume that residence-related fees are unlikely to be price-sensitive. |
| Norway | No impact on application volumes has been noticed (but no research has been conducted). |

Other non-government agencies have not been consulted because this review has a narrow focus of ensuring immigration fees are set at a level that recovers costs in line with fee principles set by Cabinet. It is not reviewing the fee principles or funding model for the delivery of immigration services and therefore consultation with non-government stakeholders was not undertaken.

## Conclusions and recommendations

Option Five (an increase of 16.7 percent) is the preferred option because it balances the desired objectives (page 4 above refers) while keeping fee increases to the minimum level possible.

None of the non-regulatory options meet all of the desired objectives. The status quo is not a viable option because it would introduce cash flow problems for the Department from 2012/13. Given the tight fiscal environment and the need for departments to operate within existing baselines, the Department is not seeking additional Crown funding (to maintain services which Cabinet has previously agreed should be funded by users). The option of additional cost savings would not be possible without a service reduction. This option would also risk the Department's ability to deliver IGMS, which is central to a new, lower cost delivery model.

Options Four, Five, Six and Seven involve regulatory change via an increase in immigration fees. While Option Four (an increase of 20 percent) reduces the fiscal risk to the Crown (by clearing the memorandum account deficit, other than relating to IGMS, in four years) it prices immigration services higher than necessary to meet the stated objectives. Option Seven would require significant increases/decreases in specific fees and is therefore not recommended.

The preferred option (Option Five an increase of 16.7 percent)

- reduces the memorandum account deficit (excluding the impact of IGMS) to $14 million in four years and clears this deficit by 2017/18.

- ensures the Department has sufficient cashflow to restore its working capital to targeted levels (excluding IGMS)

- ensures New Zealand's fees remain broadly consistent to competitor countries. Appendix One provides a comparison of key fee types with Australia, Canada, the United Kingdom and the United States. While a 16.7 percent fee increase would price New Zealand's visitor visa fees around 16 percent higher than Australia's, around 80 percent of visitors to New Zealand travel visa free and would not be affected by price increases

- mostly maintains the cross-subsidisations within the current fee structure. Appendix Two provides the proposed revised fee schedule. The overall fee increase of 16.7 percent would not be applied evenly across all fee types. The following factors are taken into account when applying the increase:

    - *actual processing costs and the extent of cross-subsidisation* – for example, the Entrepreneur Category fee would be increased by only 14 percent to more closely align with actual costs

    - *the need to maintain stable pricing* – avoiding large increases and decreases

    - *principle of fairness and reasonableness* – for example, it is not proposed to increase the fee for endorsement of New Zealand Citizenship because this could price the service above that of obtaining a New Zealand passport

    - *fees of competitor countries* – avoiding any large increases that would price New Zealand significantly above other countries (especially Australia).

## Implementation

An amendment to the Immigration (Visa, Entry Permission and Related Matters) Regulations 2010 is required to give effect to new immigration fees. It is proposed that the new fees take effect from 2 July 2012.

A communications strategy will be developed to support the implementation of fee increases. Holders of the Immigration Instructions will be informed and the Department's INZ website will be updated. Key stakeholders, such as Education New Zealand and the Tourism Industry Association will be informed in advance.

## Monitoring, evaluation and review

Immigration fees are reviewed regularly to ensure they accurately reflect costs and revenue flows. Monitoring is monthly via the memorandum account and the fees model is updated with real data (decision volumes, costs, FTE numbers) on a regular basis. At this stage, it is not proposed to have a formal fees review within the next three years.

## Appendix One: international fee comparisons

| Fee Type | NZ ($) current[6] | NZ ($) with 16.7% increase | Aus ($NZ) | Canada ($NZ) | UK ($NZ) | US ($NZ) |
|---|---|---|---|---|---|---|
| **Temporary entry (applicant offshore)** | | | | | | |
| Visitor | 140 | 165 | 140 | 90 | 145 | 165 |
| Student | 230 | 270 | 785 | 150 | 550 | 165 |
| Work | 310 | 360 | 450 | 180 | 370 | 180 |
| Working holiday | 140 | 165 | 350 | 180 | 370 | n/a |
| **Residence (principal applicant offshore)[7]** | | | | | | |
| Skilled Migrant | 2,610[8] | 3,050 | 3,800 | 1,260 | 1,555 | 860 |
| Family: | | | | | | |
| Partner | 1,350 | 1,600 | 2,565 | 1,260 | 1,570 | 900 |
| Other | 1,350 | 1,600 | 2,565 | 1,260 | 3,520 | 900 |

General notes:

- Currency exchange rates as at 1 March 2012 (rounded to nearest $5)
- US fees for work visas and skilled migrants include an additional filing fee of US$580 for the sponsoring employer.
- In Canada and the US, the visa fee for residence applicants is charged to each family member. In New Zealand, there is one fee per application including family members.
- The US also charges for a 'border crossing card' which is valid for ten years of $140.

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[6] Based on Band C – rest of world which represents highest fee band. Where there are differentiated fees, the highest fee has been selected for comparisons. For example, work visa fees in Band C range from $200 for an online work visa (other) to $310 for a work visa – partnership.

[7] After living legally in the UK for a certain length of time, migrants can apply for permission to settle. This is known as 'indefinite leave to remain' and can only be applied for onshore. The application fee is approximately NZ$1,870.

[8] Includes the Expression of Interest fee (Paper) which is required by applicants under the Skilled Migrant Category.

**Appendix Two: proposed fee schedule – 16.7 percent fee increase including percentage increases**

| APPLICATION | FEE BAND | | | |
|---|---|---|---|---|
| | *A: NZ (GST incl)* | *B: Pacific / Australia* | *C: Rest of World* | **% change** |
| Resident Visa | | | | |
| • Skilled Migrant Category | 1,810 | 1,550 | 1,810 | 14.8 – 17.1% |
| • Investor Plus (Investor 1 Category) | 4,100 | 3,990 | 3,990 | 17.1 -17.4% |
| • Investor (Investor 2 Category) | 4,100 | 3.990 | 3,990 | 17.1 – 17.4% |
| • Entrepreneur Plus Category | 3,200 | 3,200 | 3,200 | 14.3% |
| • Entrepreneur Category | 3,200 | 3,200 | 3,200 | 14.3% |
| • Family Category | 930 | 930 | 1600 | 17.7 -18.5% |
| • Samoan Quota Scheme | 710 | 690 | | 15.0 – 15.4% |
| • Pacific Access Category | 770 | 750 | | 15.4 – 15.8% |
| • Refugee Family Support Category | 580 | 570 | 800 | 15.9 – 16.3% |
| • Residence from Work Category | 930 | | | 17.7% |
| • Parent Retirement Category | 3,200 | 3,200 | 3,200 | 14.3% |
| • Any other residence category | 930 | 930 | 1600 | 17.7 – 18.5% |
| Expression of Interest under Skilled Migrant Category | | | | |
| • Paper | 650 | 650 | 650 | 16.1% |
| • Online | 510 | 510 | 510 | 15.9% |
| Expression of Interest under Investor 2 Category | 595 | 595 | 595 | 16.7% |
| Expression of Interest under Parent Category | | | | |
| • Paper | 420 | 420 | 420 | new |
| • Online | 320 | 320 | 320 | new |
| Investor Category – Business Plan (first, subsequent or change of plan) | 900 | 875 | 875 | 16.7 – 16.9% |
| Application for: | | | | |
| • Variation of travel conditions on a Resident Visa | 180 | 180 | 180 | 12.5% |
| • Permanent Resident Visa | 180 | 180 | 180 | 12.5% |
| • Grant of Second and Subsequent Resident Visa | 180 | 180 | 180 | 12.5% |
| Endorsement indicating New Zealand Citizenship: | | | | |
| • First endorsement indicating New Zealand Citizenship | 130 | 130 | 130 | 0.0% |
| • Second or subsequent endorsement indicating New Zealand Citizenship | 80 | 80 | 80 | 0.0% |
| Temporary Visa: | | | | |
| • Visitor visa | 165 | 130 | 165 | 17.7 – 18.2% |
| • Student visa | 250 | 195 | 270 | 13.8 – 17.4% |

| APPLICATION | FEE BAND | | | |
|---|---|---|---|---|
| | *A: NZ (GST incl)* | *B: Pacific / Australia* | *C: Rest of World* | **% change** |
| • Student visa – Online. Application via education provider | 95 | | | 18.5% |
| • Work visa – partnership/work to residence - talent, etc | 360 | 360 | 360 | 16.1% |
| • Work visa - other<br>• Paper<br>• Online | <br>270<br>230 | <br>230<br>230 | <br>270<br>230 | <br>15.0 -17.4%<br>15.0% |
| • Work visa - working holiday scheme | 165 | | 165 | 17.9% |
| • Work visa - working holidaymaker extension | 165 | | 165 | 17.9% |
| • Long Term Business Visa | 3,200 | 2700 | 3200 | 12.5 – 14.3% |
| • Group visitor visa – per person (offshore only):<br>• Beijing, Shanghai, Taipei<br>• Bangkok (Thai citizens only)<br>• Approved Destination Status (China)<br>• Other | <br><br><br><br>80 | <br><br><br><br>80 | <br>80<br>80<br>50<br>80 | <br>14.3%<br>14.3%<br>11.1%<br>14.3% |
| • Temporary Retirement Category Visitor Visa | 3200 | 3200 | 3200 | 14.3% |
| Limited visa – student | 250 | 195 | 270 | 13.8% - 17.4% |
| Limited visa – work for recognised seasonal employer | 270 | 230 | 270 | 15.0 – 17.4% |
| Limited visa – other | 165 | 130 | 165 | 17.7% - 18.2% |
| Transit visa | 140 | 140 | 140 | 7.7% |
| Group Transit visa for Chinese nationals (per person) | 80 | | 80 | 14.3% |
| Special Direction | 185 | 185 | 185 | 15.6% |
| Residence class visa granted onshore under Section 61 | 835 | | | 16.8% |
| Temporary entry class visa granted onshore under section 61 | 350 | | | 16.7% |
| Reconsideration of decision to decline temporary entry class visa | 185 | | | 15.6% |
| Variation of Conditions or Variation of Travel Conditions | 165 | | | 17.8% |
| Request by employer for approval in principle for purpose of recruitment of staff | 250 | | | 19.0% |
| Request for Supplementary Seasonal Employment Approval in Principle | 250 | | | 19.0% |

| APPLICATION | FEE BAND | | | |
|---|---|---|---|---|
| | *A: NZ (GST incl)* | *B: Pacific / Australia* | *C: Rest of World* | **% change** |
| Confirmation of residence status | 105 | | | 16.7% |
| Call out fee where office is opened outside ordinary hours in order to process application or other matters as requested | 280 | 280 | 280 | 16.7% |
| Transfer fee where visa stamp or label transferred from one passport or certificate of identity to another | 105 | 105 | 105 | 16.7% |
| Registration under Pacific Access Category<br>• First year's registration<br>• Second and subsequent year's registration | 70<br>30 | 70<br>30 | 70<br>30 | 16.7%<br>20.0% |
| Registration under Refugee Family Support Category | 85 | | | 13.3% |
| Employer accreditation (under talent work instructions)<br>• First year's accreditation<br>• Second and subsequent accreditation | 1,700<br>480 | | | 18.9%<br>17.1% |
| Reconsideration of application from employer for accreditation | 185 | | | 15.6% |
| Recognised Seasonal Employer status | 835 | | | 16.8% |
| Agreement to Recruit under Recognised Seasonal Employer instructions | 220 | | | 15.8% |
| Entertainment Industry Accreditation<br>• First year's accreditation<br>• Second and subsequent accreditation | 1,700<br>480 | | | new<br>new |