

22 April 2024

Immigration (Border & Funding) Policy
 Ministry of Business, Innovation & Employment
 WELLINGTON

By email: Cassandra.Liu@mbie.govt.nz

Kia ora

Consultation on the 2024 immigration fee and levy review

As part of a targeted consultation process, we appreciate being invited to contribute to the MBIE review of fees and levies for immigration services.

In addition to our views expressed during our meeting, our understanding is that you are seeking TIA’s further views on the impact on visitor demand, and other perspectives that can inform the review process and the advice you provide to Ministers.

Demand impacts of significant increases to migration fees and levies

TIA is very concerned that the proposed fees for tourism-related Visa categories (Visitor, Group Visitor and Working Holiday) will have a significant impact on demand and the contribution tourism can make as an economic driver.

With regard to your request for information on demand impacts, TIA advised that other parties such as airlines and airports are best placed to specifically advise on demand and price sensitivity. As these parties are not being consulted with as part of the targeted consultation, we will respond without the benefit of data they would have provided.

As such, our advice relies on previous work undertaken.

In 2022, MBIE investigated the impacts of the Government increasing the International Visitor Levy from the current \$35 to \$100, \$150 and \$200. These increases were found to have ‘potential to be significant’ impacts on demand. Table 1 below shows that lifting the IVL from \$35 to \$100 would have a decrease in total visitor numbers by 2.37 to 2.61%, or 92,000 to 101,000 visitors. At a \$200 IVL, the estimated loss of visitors is between 6.04 and 6.33%.

Table 1. Estimated IVL revenue and impact on additional funding from the IVL based on visitor numbers (based on 2019 data at 3.9m international visitors).

	Estimated IV revenue	Estimated decrease in visitor numbers	Percentage decrease in visitor numbers
Option 1 (\$35 to \$100)	\$159-\$192 million	(92,000 – 101,000)	2.37 – 2.61%
Option 2 (\$35 to \$150)	\$215.4-\$278.6 million	(164,000 – 179,000)	4.23 – 4.62%
Option 3 (\$35 to \$200)	\$336-\$444 million	(234,000 – 257,000)	6.04 – 6.63%

These estimated decreases in visitor numbers can be applied to those international visitors that fall within the three tourism related Visa categories (Visitor Group visitor and Working Holiday).

Immigration’s average proposed fee and levy increases for the three Visa categories are higher than shown in Option 3 meaning that a significant impact on visitor numbers will be expected.

For instance, applying the 6.63% reduction in visitors to the approximately 370,000 international arrivals to New Zealand from Visa-required countries,¹ would result in 24,500 fewer arrivals. Based on the average spend of international visitors of \$4,920², this would result in a loss of international visitor expenditure of \$120 million.

Based on this MBIE analysis, increases of costs to travel have a significant impact on demand that increases as the costs go up. The proposed Visa fees and levy increases are of the magnitude where we can expect to see a loss in demand and substantial loss of international expenditure in New Zealand.

TIA recommends that your advice to Government must clearly set out the likely impacts on demand and visitor expenditure.

Considering the cumulative costs incurred by visitors

TIA is also concerned at the cumulative cost of the various fees and levies that apply to arrivals. Table 2 sets out the total costs incurred by a visitor in the Visitor Visa category. The proposed fee and levy changes will have a major impact on the overall cost for a visitor, and this will be amplified if other fees such as the International Visitor Levy or Border services also increase. It is worth noting the proposed Immigration fee and levy costs for Group Visitor Visas and Working Holiday Visa are significantly higher than the example below.

Table 2: Fees and Levies for individual Visitor Visas to New Zealand

Fee or Levy	Current \$	Proposed \$
Electronic Travel Authority	23.00	23.00
International Visitor Levy	35.00	35.00
Customs Levy	16.59	16.59
Biosecurity Levy	16.92	16.92
Visa Fee	190.00	310.00
Immigration Levy	21.00	31.00
Total	303.51	432.51

TIA recommends that your advice to Government must factor in the total costs involved for visitors as it considers changes to any of the components, including the Visa charges.

Other considerations

- **Fees and Levies must be aligned to where costs are incurred.** We understand the fee is designed to cover the direct cost of processing the Visa and the levy to cover wider functions that service the immigration system related to the visitor. The proposed levy changes do not appear to reflect the cost of services provided to these visitors while they are in New Zealand.

As shown in Table 3, the Group Visitor Visa fee is increasing by 56% and the levy by 263%. TIA is not aware of what costs to the immigration system from these travelers that would justify such a large increase in the levy. This also applies to the Working Holiday Visa group.

¹ Based on the countries Stats NZ uses to report international visitor arrivals (30 countries). Of these, the markets are China, India, Philippines, South Africa and Thailand, and in addition there a numerous smaller markets contributing visitors that are mostly Visa-required. This is YE February 2024 Data. Note that most of the markets at still in recovery mode, particularly China that had 200,623 arrivals in YE February 2024, considerably less than the pre-COVID level of 367,742.

² Stats NZ, Tourism Satellite Account, YE March 2023.

TIA recommends that your advice to Government must be clear on the rationale for changes to the levy and particularly to the costs incurred by the Group Visitor and Working Holiday Visa holders.

Table 3: Fee and Levy Movements by Tourism-related Visa Categories

Visa product	Current Fee	Proposed fee	Fee % change	Current Levy	Proposed levy	Levy % Change	Total Current cost	Total Proposed cost	Total % Change
eTA	\$23	\$23	0	-	-		\$23	\$23	-
Visitor visa	\$190	\$310	63%	\$21	\$31	47%	\$211	\$341	62%
Group visitor visa	\$55	\$86	56%	\$55	\$200	263%	\$110	\$286	160%
Working Holiday visa	\$210	\$250	20%	\$210	\$420	100%	\$420	\$670	60%

- Overall costs and benefits of Tourism.** Our understanding is the proposed increase in the fees and levies are based on a reduction in Government funding and a need for Immigration New Zealand to directly recover those costs. However, this does not mean that the Government is subsidising visitors or the immigration processes they use. This is because of the many ways that international visitors contribute while in New Zealand. Pre-COVID, total government revenue from tourism was \$7.3 billion, including \$3.8 billion of GST revenue.³ On average, each international visitor made a direct contribution to crown revenue of \$849.⁴

TIA recommends that your advice to Government should set out the wider contribution of international visitors to New Zealand, including to government revenues.

- Working Holiday visitors have an important role to play.** Working Holiday visitors play an important role within New Zealand’s workforce and particularly within the tourism industry. For instance, over the 2023/24 summer period, 37% of tourism businesses surveyed hired people who were on a Working Holiday visa. After the summer season, 50% of tourism businesses are still planning to hire staff and 56% of those still have a lack of quality applicants which indicates the importance of Working Holiday visitors in filling these gaps. Key roles include barista, bus drivers, chefs, cooks, customer services, F&B assistants, housekeeping, kitchen hand and tour guides to name just a few.

Our understanding is that many people who apply and are eligible for a New Zealand Working Holiday Visa do not end up coming and this is presumably to do with the cost to get here along with the costs of living here. The proposed total immigration increases from \$420 to \$670 will only make this barrier higher. It is also worth noting that the WHV levy component is proposed to increase by 100% and we are not sure of the justification for this (refer above).

TIA recommends that your advice to Government to make it clear there is a risk to New Zealand if potential working holiday visitors are deterred by high Visa costs.

- Timing of implementation.** The inbound travel sector operates to long lead times with prices often set two years ahead of time. As such, large changes to the price of travel can be difficult to accommodate as part of inbound operator packages. For this reason, the implementation of the proposed fees, given their magnitude, need to be

⁴ Te Ohanga - Understanding how visitors contribute to New Zealand’s wellbeing, Fresh Info, Tourism New Zealand. <https://www.tourismnewzealand.com/assets/insights/industry-insights/tnz-te-ohanga-report-2.pdf>

implemented over a period of time, rather than applied at short notice. Implementation in 2024 will not be well received by these operators.

TIA recommends that your advice to Government must highlight the critical nature of the timing of changes for the inbound travel trade, and that changes in 2024 would be difficult for these operators.

Summary

TIA is significantly concerned about the proposed fee and levy changes, both in terms of their rationale and size. TIA considers the changes have the potential to disrupt the recovery of visitation from Visa-required countries that will dampen demand and lead to significant loss of international visitor expenditure in New Zealand. We consider that such an outcome runs counter to the Government's growth objectives for the tourism industry.

We are also concerned we have not seen any financial data related to this proposal and are not aware if there is any cross-subsidisation from fees and levies across the Visa groups. We would be concerned if additional incomes from the tourism-related Visas are used to support other parts of the immigration system where the people paying the fee and levy do not benefit.

TIA requests the points raised in this submission are set out and addressed in your advice to Government.

Next Steps

TIA is most happy to expand on any points raised in this submission.

Please do not hesitate to get in contact with us if you have any queries or want further information. Bruce Bassett can be contacted on 021 609 674 or bruce.bassett@tia.org.nz.

Ngā mihi,

A handwritten signature in blue ink, appearing to read 'R Ingram', followed by a period.

Rebecca Ingram
Chief Executive

CC. Alison McDonald, Deputy Secretary Immigration New Zealand
Heather Kirkham, General Manager, Tourism