



Calculation of Contributory Parent Visa Composite Index

Background

Under Section 6 of the *Migration (Visa Application) Charge Act 1997*, the visa application charge limit for contributory parent visas is to be adjusted by the Contributory Parent Visa Composite Index using the following formula:

$$\text{Previous charge limit} \times \left(1 + \frac{\text{Contributory Parent Visa Composite Index}}{100\%} \right)$$

where:

the Contributory Parent Visa Composite Index is as published by the Australian Government Actuary for a financial year.

Relevant sections of the *Migration (Visa Application) Charge Act 1997* are set out in Attachment A.

Contributory Parent Visa Composite Index for 2003/04

For financial year 2003/04, the value of the Contributory Parent Visa Composite Index is zero. This reflects the fact that the contributory parent visa did not become operational until June 2003.

Contributory Parent Visa Composite Index for 2004/05

For financial year 2004/05, the value of the Contributory Parent Visa Composite Index is 5.9%. This value was derived according to the method of calculation below, and is equal to:

$$(5\% \times 2.4\%) + (35\% \times 5.6\%) + (60\% \times 6.3\%)$$

Method of Calculation – 2004/05

For financial year 2004/05, the Composite Index is calculated as:

$$5\% \times \text{CPI Increase} + 35\% \times \text{MTAWE Increase} + 60\% \times \text{Health Expenditure Increase}$$

where:

CPI Increase is the percentage change in the All Groups Consumer Price Index, as originally published by the Australian Bureau of Statistics, during the year ending with the December quarter in the financial year before the financial year for which the Index applies;

MTAWE Increase is the percentage change in the original estimate of Male Total Average Weekly Earnings, as published by the Australian Bureau of Statistics, during the year ending with the November quarter in the financial year before the financial year for which the Index applies; and

Health Expenditure Increase is the percentage change in per capita Commonwealth health expenditure, derived from figures published by the Australian Institute of Health and Welfare in their publication "Health Expenditure Australia" between the financial years three and four years before the financial year for which the Index applies.

Using the definitions given above, the relevant components of the Composite Index for 2004/05 are:

CPI Increase	2.4%
MTAWE Increase	5.6%
Health Expenditure Increase	6.3%

The percentage weightings of the three index components have been derived from projections of Commonwealth expenditure over the next 60 years on immigrants under the Contributory Parent Visa program. These projections were based upon certain data provided by the Department of Health and Ageing and the Australian Institute of Health and Welfare, and a number of actuarial assumptions. Based on these projections, health costs have been estimated to account for about 60% of total costs, social security pensions about 35% of total costs, with the remaining 5% attributable to a number of miscellaneous costs.



Peter Martin
Australian Government Actuary

Attachment A

Section 3A and Section 6 of the *Migration (Visa Application) Charge Act 1997* follow:

“ Section 3A. Definitions

In this Act, unless the contrary intention appears:

contributory parent visa means a permanent or temporary visa included in a class of visas under regulations made under the *Migration Act 1958*, being a class that has the words “contributory parent” or “contributory aged parent” in its title.

Contributory Parent Visa Composite Index means the Contributory Parent Visa Composite Index, expressed as a percentage, published by the Australian Government Actuary for a financial year.”

“ Section 6. The visa application charge limit - contributory parent visas

Financial year beginning 1 July 2002

6. (1) The charge limit in relation to a visa application for a contributory parent visa made during the financial year beginning on 1 July 2002 is \$26,745.

Later financial years

(2) The charge limit for a later financial year is the amount worked out under subsection (3) or (5), depending on the amount of the Contributory Parent Visa Composite Index for the later financial year.

Contributory Parent Visa Composite Index more than zero

(3) If the Contributory Parent Visa Composite Index for the later financial year is more than zero, the charge limit for that financial year is the amount worked out using the following formula, then rounded under subsection (4):

$$\text{Previous charge limit} \times \left\{ 1 + \frac{\text{Contributory Parent Visa Composite Index}}{100\%} \right\}$$

where:

previous charge limit

means the charge limit for the financial year before the later financial year.

(4) If an amount worked out under the formula in subsection (3) is not a multiple of \$5, the amount is to be rounded as follows:

(a) if the amount exceeds the nearest lower multiple of \$5 by \$2.50 or more - round the amount up to the nearest higher multiple of \$5;

(b) in any other case - round the amount down to the nearest lower multiple of \$5.

Contributory Parent Visa Composite Index zero or less

(5) If the Contributory Parent Visa Composite Index for the later financial year is zero or less, the charge limit for that financial year is the same as the charge limit for the financial year before the later financial year.”