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New U.S. Visa Fees Would Hit Indian Firms

By AMOL SHARMA

NEW DELHI—Legislation that passed the U.S. Senate late Thursday would significantly increase fees for skilled-worker visas, a move that would deal a financial blow to Indian technology-outsourcing companies who send thousands of employees to the U.S. each year.

The measure, which was attached to a \$600 million border-security spending bill that senators passed just before leaving for the August recess, would require companies who have more than half their U.S. employees on H1-B or L-1 visas to pay thousands of dollars in special new fees for each worker.

Infosys Technologies headquarters in Bangalore, India.

Som Mittal, president of Indian technology industry trade group Nasscom, said Indian companies could face \$200 million to \$250 million in increased human-resources costs annually if the bill becomes law. The measure now awaits action in the U.S. House and Indian companies plan to mount a fierce lobbying campaign against it.

All of the biggest Indian tech firms would be affected by the fee increases, Mr. Mittal said, including giants like Wipro

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and Tata Consultancy Services Ltd.

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Corp. would likely avoid the fees because their foreign workers make up less than 50% of their overall U.S. work force, he said.

"The way they've done this, the majority of the impact is on the Indian companies," Mr. Mittal said.

He said Nasscom has asked India's external affairs and commerce ministries to look into whether the measure would violate World Trade Organization rules. "It seems like indirect protectionism," he said. Infosys, India's second-largest outsourcing firm by sales, said in a statement, "It is unfortunate that this tax is being levied on a discriminatory basis when the need is to open markets to make companies more competitive in the global marketplace."

Representatives of Wipro and Tata Consultancy didn't respond to requests for comment. A spokesman for India's external affairs ministry didn't immediately respond to a request for comment.

The visa issue threatens to become a wedge between India and the U.S. as the countries prepare for President Barack Obama's planned visit to New Delhi in November.

"We have been building our strategic relationship with the U.S.," Mr. Mittal said. "This seems ill-timed."

Indian software services and outsourcing companies generate about 60% of their combined \$50 billion in annual revenue from the U.S. The Indian industry has enjoyed explosive growth over the past decade, fueled by an army of skilled, low-cost, English-speaking workers in Bangalore and other Indian cities.

But Indian firms also have tens of thousands of employees in the U.S. and other countries, where they work at the sites of clients such as big banks and insurance companies. Indian firms account for about 12% of new H1-B visas issued each year, NASSCOM said. The Indian trade group didn't have a figure for the total number of Indian tech workers in the U.S., but said on average roughly 70% to 80% of Indian firms' U.S. labor forces are on temporary work visas.

As the U.S. backlash over outsourcing has intensified in recent years, some critics have zeroed in on the skilled-worker visa programs, arguing they give foreign firms a beachhead to facilitate deals with U.S. companies that ultimately transfer American jobs abroad. Sen. Charles Schumer, the New York Democrat who sponsored the legislation raising visa fees, has been one of the most vocal critics of outsourcing.

The new fees, which Mr. Mittal says would be about \$4,500 per worker for new visas and \$4,000 for renewals, could have a significant impact on Indian firms, analysts say.

"The question is how much of the costs they will be able to pass on to clients," said Avinash Vashistha, chief executive of Bangalore-based outsourcing industry consultancy Tholons.

Mr. Vashistha said the new visa costs would accelerate Indian firms' plans to hire more American-born workers in the U.S. Already, big firms like Wipro and Tata have been beefing up U.S. hiring over the past two years.

The Indian industry faces a tough fight as it tries to beat back the visa legislation. The increase in fees is what pays for the bill's \$600 million in spending on increased border personnel, unmanned aerial drones, and other initiatives to help stop illegal immigration to the U.S.