



BRIEFING

Design Choices for Managed Isolation and Quarantine Fees System

Date:	22 July 2020	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2021-0280

Action sought		
	Action sought	Deadline
Hon Dr Megan Woods Minister of Housing	Indicate your preferred options for the MIQ fees and hardship criteria.	23 July 2020

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Ruth Isaac	GM, Labour and Immigration Policy	s 9(2)(a)	s 9(2)(a)	✓
s 9(2)(a)	Principal Advisor, Labour and Immigration Policy	s 9(2)(a)		

The following departments/agencies have been consulted
Ministry of Health, Department of Prime Minister and Cabinet (PAG, COVID-19 AOG Response), Crown Law, Ministry of Justice, Treasury, Ministry of Transport, Ministry of Foreign Affairs and Trade, Customs, Operation Command Centre, Ministry of Social Development, Te Puni Kōkiri, Te Arawhiti

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments



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Date:	22 July 2020	Priority:	Urgent
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Purpose

To seek your agreement on the managed isolation and quarantine (MIQ) fees, and the factors to be considered when assessing whether to waive fees for financial hardship.

Executive summary

1. MBIE is seeking your decisions on what level to set the fees at for the MIQ system. This decision is needed for Cabinet decisions at LEG and the drafting of the regulations.
2. The design of the MIQ fees system allows for the full and partial waiver of fees for financial hardship. MBIE needs to undertake further work to give effect to this decision. We are seeking your agreement on the factors that can be considered to determine if someone is eligible for a fee waiver. This will allow us to do further operational design work. The operational design is being developed in parallel with the policy and legislative work. This may identify additional decisions or constraints.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** that we are seeking your decisions on the MIQ fees and factors to assess financial hardship to inform the design of the MIQ fees system.

Noted

EITHER

- b **Agree** to set the MIQ fees (GST inclusive) at either:

- a. **Option 1:** \$2,300 for one person in a room plus \$700 for each additional adult in the room plus \$350 for each additional child in the room.

Agree /Disagree

- b. **Option 2:** \$2,900 for one person in a room plus \$1,000 for each additional adult in the room plus \$500 for each additional child in the room.

Agree /Disagree

- c. **Option 3:** \$3,500 for one person in a room plus \$1,300 for each additional adult in the room plus \$650 for each additional child in the room.

Agree /Disagree

OR

Indicate your preferred fee levels.

Indicated

- c **Agree** that the child rate would apply to children aged over 3 and under 18 years of age.
Agree/ Disagree
- d **Agree** that children under 3 years of age would not be charged a fee.
Agree/ Disagree
- e **Agree** that, when the chief executive is considering waiving the MIQ fees in full due to financial hardship, she should consider the cash assets of the applicant.
Agree /Disagree
- f **Agree** to set the threshold for cash assets (in recommendation e) at either:
a. \$4,000 for a single person or \$8,000 for a couple/sole parent.
Agree /Disagree

OR

- a. \$8,000 for a single person or \$16,000 for a couple/sole parent.
Agree /Disagree
- g **Agree** that the chief executive may also considering waiving fees where someone is brought to New Zealand as part of sea rescues, medivacs, or similar situations.
Agree /Disagree

Ruth Isaac
**General Manager, Labour and Immigration
Policy**

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Hon Dr Megan Woods
Minister for Housing

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Background

3. On 22 July 2020, Cabinet Social Wellbeing Committee (SWC) agreed to introduce fees for managed isolation and quarantine (MIQ) [Cabinet minute to be confirmed].
4. This paper seeks your agreement on policy decisions that are needed to help inform the design of the MIQ fees system and to draft regulations. There are a number of operational details that still need to be worked through about how the MIQ fees system will be implemented.

Segmenting the application of fees for MIQ

5. On 21 July 2020, you asked for the SWC paper to reflect the following options for MIQ fees:
 - a. Legislation could allow for charging a fee to everyone entering New Zealand and going into MIQ, but with initial application limited to a subset of people who left New Zealand on or after 10 April 2020 (the MIQ requirement was introduced at 11.59 pm on 9 April 2020).
 - b. Legislation could allow for charging a fee to everyone entering New Zealand right away.
6. For both options, there would be exemptions (ie certain people not subject to the fees system at all, like diplomats) and waivers (ie certain people do not have to pay the fee on a case-by-case basis because of financial hardship).
7. MBIE understands that SWC has agreed that MIQ fees will apply to:
 - a. temporary visa holders
 - b. non-temporary visa holders who either departed New Zealand on or after the date legislation is introduced to the House, or who only intend to stay in New Zealand for a short period of time.
8. In the time available, we have not been able to prepare detailed advice on this. However, decisions about who to exempt from or apply fees to, at least initially, will affect the complexity of the fees system as a whole.

The fees system needs to be fair, yet simple, to achieve its objective

9. We understand the purpose of fees for MIQ is to spread the costs of providing MIQ. These services are currently entirely government-funded, and represent a significant and growing outlay for the Crown. MIQ fees are not intended to serve a demand management function, but will be part of the broader set of regulatory settings for MIQ (some of which aim to sustainably manage the flows of people into and out of our MIQ facilities).
10. Any MIQ fees system - being part of our broader public health response - needs to be a fair, justified and proportionate response to the risk. At the moment, given there is no domestic transmission of COVID-19, the introduction of cases from overseas could prompt an increase in the current Alert Level and result in more disruptive public health measures. MIQ is the best option we presently have to avoid this scenario, although this could change in the future.
11. Given the short amount of time to design a legislative basis for fees, and pass both primary and secondary legislation, we consider a simple system to be the safest option. We need to minimise the risk of design/drafting errors, and ensure the system is easy to communicate (eg through foreign posts to concerned and distressed New Zealanders overseas).

There is a balance to be struck between fairness and simplicity

12. Decisions about which groups of people to make subject to fees (and when) involve more nuanced calculations.
13. The purpose of collecting fees to offset the costs of providing MIQ services suggests fees should have broad coverage, with some exemptions (for people whom we think should not have to pay) and waivers (for people who cannot pay).
14. The government has no way to assess if someone is temporarily in New Zealand and would have to rely on people making accurate declarations about their intentions. Someone may have been honestly intending to stay permanently but have to leave due to unforeseen events. The opposite could also be the case. This will increase the administrative complexity of the system (eg it may increase the number of refunds and waivers needed as well as debt recovery). If someone leaves New Zealand without paying their MIQ fee, it would be difficult to recover this money.
15. We have been unable to obtain reliable figures of who may be captured by the revised recommendation. The revenue generated by the scheme may be limited.

Fees for managed isolation and quarantine

16. MIQ is an essential part of the public health strategy to eliminate COVID-19 and to protect the health and wellbeing of people in New Zealand. The costs of MIQ are substantial and rapidly increasing. MIQ fees could contribute to a more sustainable MIQ model.
17. The paper considered by SWC discussed the following considerations when setting MIQ fees:
 - a. The fee would contribute towards a portion of the costs of MIQ including accommodation, food and ancillary costs (eg laundry, transportation, additional security). It would not include costs for publicly funded services (eg health and welfare services).
 - b. People would become liable to pay fees when they finish MIQ.
 - c. The fee would be based on a 14 day stay and could be charged on a pro rata basis for shorter stays. Longer stays would not be charged more than standard fee. The fee is subject to GST.
 - d. To allow for the system to be introduced quickly, a flat-fee structure would be used. The empowering provisions in the legislation will be drafted broadly to allow for a more nuanced approach to be taken in the future.
 - e. Setting a fee as low as possible (in absolute terms or as a proportion of costs by accurately representing as many individual costs as possible) and considering equity issues arising from larger families would help to reduce the extent that the fee is a barrier to returning New Zealanders.
18. The legislation will allow the fees to be calculated in a way that involves averaging of costs or potential costs.

We recommend using a flat fee

19. MBIE recommends using a flat fee structure based on one person occupying a room. Additional, lower fees should be charged for other persons sharing the room. This approach is more closely aligned to the cost structure for MIQ facilities.

20. There is a risk with the proposed approach that it would incentivise overcrowding of rooms and increase the risk of spreading COVID or other diseases, but we consider this can be managed through existing safety requirements for building occupancy.
21. MBIE considered setting a fee on a per person, or per family/household, basis only. However, there is a risk that this type of fee would encourage people to book more rooms than is necessary reducing the number of rooms available for MIQ.
22. The managed isolation allocation system will not give people this type of flexibility. They will be assigned the appropriate number of rooms.

Options for the level of fees

23. There are a number of different combinations that could be used to set the level of fees. In identifying the options in this paper, MBIE has only considered options that are based on the average accommodation and food costs. We recommend not including the ancillary costs in the fees, at this stage, as they make up only a small part of the costs. There is a significant range of accommodation/food costs across MIQ facilities ^{s 9(2)(j)} as at 1 July 2020). The options identified are below the lowest figure in this range.
24. In most facilities, the food costs for a child are the same as an adult. However, we recommend setting the fee for children aged between 3 and 18 years at half of the additional adult fee (based on their age at check in). People aged 18 years and over would be charged the adult rate, children under 3 would not be charged. We are recommending this age range as younger children are less likely to consume the same amount of food as a child/adult and the United Nations Convention on the Rights of the Child defines children as people under 18 years of age. A range of different ages are used for different policies across New Zealand and other jurisdictions.
25. The table below sets out three different options for fees and the basis for these options. The fee structure is the same used in New South Wales (where a single adult is charged AU\$3,000).

	Fee (inclusive of GST)		
	One person in room	Additional adult	Additional child
Option 1	\$2,300	\$700	\$350
	Approximately 33% of the total MIQ costs	Approximately 50% of the food cost	
Option 2	\$2,900	\$1,000	\$500
	The approximate average accommodation cost	Approximately 66% of the food cost	
Option 3	\$3,500	\$1,300	\$650
	Approximately 50% of total MIQ costs, amount indicated in SWC paper	Approximately 90% of the food cost	

26. In general, the higher the fee the more likely it is to meet the purpose of MIQ being more economically sustainable and the less the Crown would need to contribute towards the costs. It may need to be adjusted less frequently if the costs of procuring MIQ facilities increase (although this would increase the proportion paid by the Crown). However, it also increases the risk that the fee is seen as a barrier to returning to New Zealand and will be seen as more of a limit on the right to New Zealanders to return. A higher fee could be made more justifiable through generous criteria for fee waivers.

27. A higher fee is likely to have increased administrative costs as there will be more applications for waivers or late payments to follow up. It probably increases write offs for “bad debts”. It will also increase perceptions of unfairness for those people who are in facilities that are below the average standard.
28. The actual amount paid, and the proportion of costs, will depend on how many people are travelling and how many rooms they need to occupy. Some illustrative scenarios are in the annex.
29. MBIE can provide you with information about other options to consider if you wish. For example, capping the number of children who are charged for a family could be an option.

Factors to consider when partially or fully waiving fees

30. Australian jurisdictions that have implemented fees for MIQ have adopted measures to ease the impact on people experiencing financial hardship. This includes reduced fees for low income earners, payment plans of varying durations, and full fee waivers where there is significant financial hardship.
31. The Cabinet paper sought agreement for the chief executive of MBIE to fully or partially waive fees in cases of undue financial hardship, recognising that not everyone will be in a financial position to pay MIQ fees. The chief executive will also be able to consider allowing people to pay in instalments. MBIE envisions that applications for waivers would be made after someone has left MIQ and received an invoice. Unpaid fees would be a recoverable debt.
32. Further work is still needed to design how waivers will be operationalised. However, it is likely that MBIE will have to adopt a high trust model that relies on applicants making a statutory declaration and provide supporting information. There is likely to be limited verification of this information, at least to start with. We will investigate whether an audit function and greater verification could be added later, and the cost of such functions relative to the potential revenue to be generated.
33. We are seeking your views on what factors the chief executive should consider when deciding whether to waive someone’s fees.
34. MBIE has identified two options:
 - a. **Option 1: Cash assets:** This option would only have one factor, whether the applicant has cash assets (eg savings, shares, stocks, bonds, loans to others¹) below a certain threshold as at the date they leave MIQ and no other means to pay the fee. This option is similar to how MSD determines eligibility for emergency benefit.
 - b. **Option 2: Range of factors:** This option would have six factors: unable to meet basic living costs or financial obligations; receiving a main benefit; unemployed (loss of employment or business) due to COVID-19; financial costs from an existing serious of illness or injury (including dependents, excluding COVID-19); funeral costs for dependents; cash assets below a certain threshold. This option is a combination of the criteria used to assess hardship in other regimes² and eligibility for emergency benefit.

¹ Non-cash assets include property and chattels, vehicles, bank overdrafts, superannuation and KiwiSaver accounts and Māori land where the title is in tribal trust and individual ownership can't be identified.

² For example early withdrawals from KiwiSaver, hardship applications under the Tax Administration Act.

35. The first option would be relatively easy to assess and implement and is likely to capture low socioeconomic groups. However, people who have substantial non-cash assets may qualify for a waiver.
36. The second option may be more complex. It would allow for people in a greater range of circumstances to be considered for a waiver. The broader the criteria are, the more people are likely to be eligible for a waiver, for example many returning New Zealanders are likely to not be in employment. It may create greater scope for people to challenge the chief executive's decision, though this could be mitigated through clear operational policies.
37. Both options would rely to a certain extent on the accuracy of the information provided to the chief executive. Verification would also be challenging.
38. While there are downsides with both options and taking into consideration the speed at which this policy is being developed, MBIE recommends using a cash asset threshold (option 1) in the first instance for assessing whether someone is eligible for a full waiver. Of the two options, this option would be easier to implement and for people to understand. Further criteria could be added in the future if this factor is found to be too restrictive.
39. The other factors identified in option 2 could be used by the chief executive in assessing whether to grant a partial waiver.

Threshold for cash assets

40. For both options, a threshold would be needed for cash assets. Based on other government systems for means testing, we have identified two possible options:
 - a. \$4,000 for a single person or \$8,000 for a couple/sole parent (similar to the emergency benefit threshold)
 - b. \$8,000 for a single person or \$16,000 for a couple/sole parent (similar to the accommodation supplement threshold)
41. We do not have data on which to model the different thresholds to estimate the number of people who may be eligible and the thresholds they may have. In general, the higher the threshold the harder it would be for someone to meet the criteria for a waiver.

Fee waivers where people are brought to New Zealand as part of a sea rescue or medical evacuations

42. As well as allowing fees to be waived due to financial hardship, MBIE has identified another situation in which it would be useful to waive fees. Where someone is rescued at sea or a medivac they may not have intended to visit New Zealand, and may be required to be in an MIQ facility. We recommend allowing the chief executive to consider waiving the MIQ fees in full in these or similar situations.

Next steps

43. Your decisions on the MIQ fees will be incorporated into the draft Cabinet Legislation Paper, which will be provided to you by Friday, 24 July 2020. Following Cabinet decisions, PCO will be able to draft the regulations.

Annexes

Annex 1: Scenarios for different fee options

Annex 1: Scenarios for different fee options

1. The table below sets out the three fee options in this paper for different scenarios showing the total fee, as a percentage of the average food and accommodation costs and as a percentage of total average costs.
2. The food/accommodation costs are based on agreed rates as at 1 July. The total costs are based on June data, so the percentage as a total cost may be understated.

SCENARIO - ONE ROOM				
	Option	Total fee (including GST)	% of food and accommodation costs	% of total costs
One adult	1	2300	53%	33%
	2	2900	67%	42%
	3	3500	81%	50%
One adult, one child	1	2650	46%	26%
	2	3400	59%	34%
	3	4150	72%	41%
Two adults	1	3000	52%	29%
	2	3900	68%	37%
	3	4800	83%	46%
Two adults, one child	1	3350	47%	25%
	2	4400	61%	33%
	3	5450	76%	40%
One adult, two child	1	3700	43%	22%
	2	4900	57%	30%
	3	6100	71%	37%
SCENARIO - TWO ROOMS				
Two adult, two child	1	5300	46%	26%
	2	6800	59%	34%
	3	8300	72%	41%