



AIDE MEMOIRE

MIQ charges for critical workers: background and talking points for Cabinet meeting on 7 December 2020

Date:	4 December 2020	Priority:	High
Security classification:		Tracking number:	2021-1681

Information for Minister

Hon Chris Hipkins

Minister for COVID-19 Response

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Melleny Black	General Manager, MIQ Policy	Privacy of natural persons	✓
Privacy of natural persons	Senior Policy Advisor, MIQ Policy	Privacy of natural persons	

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments:



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Purpose

To provide you with background and talking points to support you at the Cabinet meeting on 7 December 2020 where you will present an oral item on managed isolation and quarantine (MIQ) charges for critical workers.

Melleny Black
General Manager, MIQ Policy

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Background

1. On 16 November 2020, in making decisions about border exceptions for Recognised Seasonal Employer (RSE) workers, Cabinet agreed [CAB-20-MIN-0473]:
 - a. to recover a higher level of cost for MIQ services from all employers of critical workers, based on the average cost, currently estimated to be \$4,722 per person, through a contract with the employer or industry group
 - b. that employers of critical workers should pay MIQ fees upfront.
2. We advised you that the most effective way to implement Cabinet's decision is through amending the COVID-19 Public Health (Managed Isolation and Quarantine Charges) Regulations 2020 (the Regulations).
3. On 1 December 2020, we provided advice on the fees design for critical workers and attached a draft Cabinet paper seeking additional decisions from Cabinet and authorisation to submit Amendment Regulations to Executive Council [briefing 2021-1548 refers]. For Regulations to be made before Christmas, a Cabinet paper and Amendment Regulations need to be lodged with the Cabinet Office by Thursday 10 December, for consideration by Cabinet and submission to Executive Council on 14 December.
4. You have indicated that you wish to take an oral item to Cabinet on Monday 7 December 2020 to test proposals about how to structure the fee for critical workers with Cabinet Ministers. You may also wish to test other aspects of the proposed approach, including when the new fees for critical workers will come into force and who will be covered.
5. This aide memoire sets out the proposals in the draft Cabinet paper, with additional options, and talking points to support your discussion at Cabinet.

Items for discussion

6. We suggest you canvas the following with Cabinet:
 - a. Structuring the amount of the fee for critical workers (options set out below)
 - b. When the fee should apply and to whom (options set out below)
 - c. Making the individual critical worker liable where there is no employer or supporting agency
 - d. Allowing MIQ flexibility to determine when payment is required in advance
 - e. Excluding employers or supporting agencies of critical workers from applying for fee waivers on grounds of undue financial hardship or special circumstances (individual critical workers with no supporting agency or employer would still be able to)
 - f. Carving out critical health workers from fee settings for critical workers.

Structuring the amount of the fee

7. The objective of the fees system is to support the economic sustainability of the MIQ model. The fees need to be clear, consistent and fair. The model is a cost-sharing arrangement between users and the government. What is an appropriate subsidy for different classes of user will reflect their status to enter New Zealand, reasons for travel, economic benefits to individuals (e.g. employers and critical workers), and New Zealand's social and economic recovery.

8. As of 26 November 2020, the average weighted cost for a single person in MIQ for 14 days is \$4,800 + GST (\$5,520 including GST). This only covers MBIE related costs and does not include Health costs or costs for other services provided by partner MIQ agencies.¹ Therefore it is still subsidised by the government to a degree.
9. The average weighted cost for a single person is calculated on a rate of 1.35 people in a room, which is the average number of people per room across facilities. This means the figure assumes 35 per cent of rooms will be twin shares. In the absence of reliable data about the rate of room sharing amongst critical workers, we have used the 1.35 rate.
10. If the calculations were run on the assumption that there is only one person in every room across all MIQ facilities, then the average weighted cost of a single person in MIQ for 14 days is \$6,300+ GST (\$7,245 including GST).
11. There are two options for how to structure the fee for critical workers:
 - a. Charge a fee of \$5,520 (including GST) per person, regardless of actual room sharing arrangements [proposed in draft Cabinet paper]
 - b. Charge a fee of \$5,520 (including GST) for the first or only person in the room, with reduced rates for additional people in a room.
12. The trade-off is between upfront certainty and consistency across employers/supporting agencies of all critical workers, and charging employers/supporting agencies a fee that more accurately reflects their employees' actual room configurations in MIQ.

Option 1 – charge per person

13. Having a set per person fee, regardless of actual room configuration, will provide clarity and transparency to employers and supporting agencies of critical workers who will be liable for the fees (in most cases).
14. It is also necessary to enable the possibility of invoicing in advance – for critical workers that are not part of large groups, room arrangements are confirmed shortly before or when the person arrives. This means the charges cannot be confirmed far enough in advance to allow for payment before arrival, unless the fees are on a per person basis.
15. It also covers estimated actual and reasonable costs where those sharing a room are placed in separate rooms if they become sick or there is an outbreak in a facility, as happened with the first tranche of deep sea fishing crew in Christchurch. The COVID-19 Public Health Response Act 2020 (the Act) allows charges to be set at a level that takes into account costs or potential costs that are not directly incurred by the specific individual paying the charge, but which are costs or potential costs arising indirectly in relation to the use of MIQ by one or more classes of persons.
16. The impact of a per person charge on critical workers and their employers or supporting agencies will vary depending on their circumstances.

Large groups

17. The Ministry of Health undertakes a risk assessment of all incoming groups to determine whether twin share arrangements are appropriate. This assessment process is still underway for the groups planned to arrive in early 2021 and no final decisions have been made.

¹ E.g. Aviation Security Service (AvSec), New Zealand Defence Force (NZDF) and New Zealand Police (Police).

18. It is less likely that groups from higher risk countries will be allowed to room-share, e.g. the second tranche of deep sea fishing crew from Russia and the Ukraine. However, groups from lower-risk countries, such as RSE workers from the Pacific, may be allowed.
19. MIQ also undertakes an operational risk assessment as to whether room-sharing is appropriate. Room-sharing, where permissible in health terms, allows MIQ to accommodate large groups within timeframes planned.
20. A per person fee would provide consistency across large groups – i.e. employers or supporting agencies would be liable for fees based on how many workers they were bringing in, rather than where they were bringing them from, or operational decisions on room-sharing. This is fair on the basis that they all receive the economic benefit of bringing in critical workers. However, employers of large groups from lower-risk countries could argue that they are covering costs not directly incurred by their workers, which although allowed for in the Act, could be considered unfair.
21. Concerns about appropriate fees for critical workers from low-risk countries might be more appropriately addressed through the work government is undertaking to determine whether a risk-based approach can be taken to MIQ (e.g. a shorter period of isolation for people coming from low-risk countries). If a risk-based approach is adopted, the charge for critical workers for stays less than 14 days in a MIQ facility would be revisited.

Families

22. The per person fee may mean that critical workers are less likely to be able to bring partners and dependent children because the employer, supporting agency, or the worker themselves cannot or will not cover the costs. As per our briefing 1 December 2020 (2021-1548] and the draft Cabinet paper, we do not propose to charge children under three years old.
23. There is no data available on the number of people entering as families of critical workers. We expect that most critical workers do not bring families because their roles, by definition, are time-limited and their visas can only be granted for up to six months. Of the class exceptions granted for large groups of critical workers so far, only rural contractors and vets were eligible to bring partners or dependents.
24. We note that the chance of over recovery, even where there is more than one person in a room, is low. The per person charge is still lower than the actual costs of stay in MIQ because it does not include health costs or services provided by partner MIQ agencies or other additional reasonable costs.

Option 2 – charge per room, with reduced rates for additional people in a room

25. The table below sets out reduced rates for additional people in a room.

	First adult cost	Second adult cost (one person food)	Child cost (50% of second adult)
Hotel Facility	\$3,432	\$1,233	\$588
Transport	\$256	\$256	\$256
Operational	\$517	\$517	\$259
Support	\$595	\$595	\$297
Total	\$4,800	\$2,600	\$1,400
Incl GST	\$5,520	\$2,990	\$1,610

26. This option more accurately reflects MBIE-related MIQ costs, but contributes less to the overall costs of MIQ (e.g. other agencies' costs).

27. Using this fee structure would mean employers or supporting agencies of critical workers who shared rooms with other people would be charged for costs they more directly incur.
28. It would better support those employers and critical workers who seek to bring their families, and benefit those who are allowed to share rooms because they come from lower-risk countries. It would disadvantage employers or supporting agencies of critical workers who come from higher risk countries who are not allowed to share rooms for health reasons.
29. There would be less clarity and certainty for employers or supporting agencies about what the costs would be, because the fees would depend on health assessments for large groups and room availability for family bubbles. It would also be very difficult to operationalise payment in advance for the same reasons.

When the fee should apply and to whom

30. We propose that the Amendment Regulations with the new fee settings for critical workers come into force on 1 January 2021. This is so that they are in place in time for employers and critical workers of RSE workers to pay in advance of the workers' entering between mid-January and mid-March.
31. There are options around who the new fee should apply to:
 - a. All critical workers who arrive in New Zealand after 1 January 2021
 - b. All critical workers who arrive in New Zealand after 1 January 2021, except for the second tranche of the deep sea fishing crew
 - c. All critical workers who arrive in New Zealand after 1 January 2021, except for those who were approved as a critical worker class exception before 16 November 2020² (i.e. deep sea fishing crew, rural contractors and vets)
 - d. All critical workers who arrive in New Zealand after 1 January 2021, except for those who were approved as a critical worker class exception before 16 November 2020, or who booked a place in the Managed Isolation Allocation System (MIAS) or were granted a critical worker visa before 1 January 2021.
32. The table below summarises the critical worker class exceptions approved by Cabinet to date.

Group	Cabinet decision and announcement	Number	Date of arrival
Veterinarians	21 September 2020 [CAB-20-MIN-0453] Publically announced 22 September 2020	Up to 30	Most already in
Rural contractors		210	Most already in
International Mariners		570	1 st tranche already in 2 nd tranche 6 January
Shearers	16 November 2020 [CAB-20-MIN-0473]	Up to 60	Mid-December onwards
RSE workers	Publically announced 27 November 2020	2,000	Mid-January until March

² This is the date Cabinet decided to charge a higher fee to all critical workers [CAB-20-MIN-0473].

33. The draft Cabinet paper we provided to you on 1 December 2020 proposes option (b), however after further consideration we recommend option (c). It takes a principled approach for all those critical workers who Cabinet actively made a decision to grant class exceptions for on the basis of the existing fee settings.
34. Option (a) is blunt and could raise issues of legitimate expectation for those employers or supporting agencies who were granted approval to bring in classes of critical workers before 16 November 2020.
35. Option (d) is also not recommended – unlike option (c), there is no considered decision by Cabinet involved in a critical worker obtaining a MIAS booking or being granted a visa. These things can be done at any time and are out of Cabinet’s control. It also not possible to know how many people have a booking or have been granted a critical worker visa – if it is a large number of people, it could undermine the purpose of the fee changes well into 2021. Option (d) would also be very difficult to implement.

Other proposals we suggest testing with Cabinet

36. Briefing 2021-1548 and the draft Cabinet paper we provided also proposed to:
 - a. Make the individual critical worker liable where there is no employer or supporting agency
 - b. Allow MIQ flexibility to determine when payment is required in advance
 - c. Exclude employers or supporting agencies of critical workers from applying for fee waivers on grounds of undue financial hardship or special circumstances (individual critical workers with no supporting agency or employer would still be able to)
 - d. Carve out critical health workers from fee settings for critical workers.
37. We have attached briefing 2021-1548 and the draft Cabinet paper for reference. We have covered these issues in the annexed talking points should you wish to test those proposals with Cabinet.

Annexes

Annex One: Options table – fee structure

Annex Two: Talking points

Annex One: Options table – fee structure

	Fee Structure	Assumptions	Advantages	Limitations
Option 1	<ul style="list-style-type: none"> • \$5,520 (incl GST) per person (regardless of the number of people in a room) 	<ul style="list-style-type: none"> • The fee represents average MBIE-related costs across MIQ • Assumes average of 1.35 people per room (across MIQ) 	<ul style="list-style-type: none"> • Provides clarity and transparency to employers and supporting agencies • Enables advance payments • Recovers closer to actual MBIE-related MIQ costs for critical workers as a class – more contribution to other agencies' costs 	<ul style="list-style-type: none"> • Still lower than the actual costs of stay in MIQ as it does not include health costs or other services provided by other agencies like AvSec and NZDF • Could make it harder for critical workers to bring families (more expensive) • More expensive for employers where room-sharing is appropriate based on public health and MIQ operational considerations.
Option 2	<ul style="list-style-type: none"> • \$5,520 (incl GST) for the first adult • \$2,990 (incl GST) for the second adult • \$1,610 (incl GST) for a child (above the age of 3 years) 	<ul style="list-style-type: none"> • The fee represents average MBIE-related costs across MIQ • Assumes average of 1.35 people per room (across MIQ) • Second adult costs based on food for one person. Transport, operational and support costs are the same per person • Child cost based on 50 per cent of second adult 	<ul style="list-style-type: none"> • Similar to the current prescribed fees model in the Regulations (familiar). • More accurately reflects MBIE-related MIQ costs per person • Makes it easier for critical workers to bring family • Employers/industry likely to be more receptive to this than Option 1 	<ul style="list-style-type: none"> • Less contribution to MIQ costs from other agencies (NZDF etc) • Not always possible to determine up front full cost employers will pay. Difficulties in requiring payment from employers until room allocation known (these decisions may not be made before payment is required)

Annex Two: Talking points

In summary, this section contains Talking Points that were a summation of information being released in this paper. The Talking Points were prepared and offered by MBIE/MIQ, but they do not necessarily represent messages that the Minister for Covid-19 Response accepted or ever used.

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