



## Managed Isolation and Quarantine implications arising from the creation of the Trans-Tasman COVID-Safe Travel Zone

<b>Date:</b>	18 January 2021	<b>Priority:</b>	High
<b>Security classification:</b>		<b>Tracking number:</b>	2021-1906

Action sought		
	Action sought	Deadline
Hon Chris Hipkins <b>Minister for COVID-19 Response</b>	<p><b>Indicate</b> your preference on whether to create a new border exception category, with an initial cap of 600 places, to enable Australians whose ultimate destination is Australia to stop over in New Zealand and undertake 14 days of MIQ</p> <p><b>Agree</b> that Australian quarantine costs incurred by New Zealanders who would not be liable in New Zealand are not reimbursed by the Government</p> <p><b>Agree</b> to the policy rationale to amend the COVID-19 Public Health Response (Managed Isolation and Quarantine Charges) Regulations 2020 to ensure travel within a Safe Travel Zone does not affect a person's exempt status</p>	22 January 2021
Hon Grant Robertson <b>Minister of Finance</b>  Hon Nanaia Mahuta <b>Minister of Foreign Affairs</b>	<p><b>Copy</b> for your information</p> <p><b>Note</b> the contents of this briefing</p>	N/A
Hon Kris Faafoi <b>Minister of Immigration</b>	<p><b>Indicate</b> your preference to create new border exception category, with an initial cap of 600 places, be created to enable Australians whose ultimate destination is Australia to stop over in New Zealand and undertake 14 days of MIQ</p>	22 January 2021

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Megan Main	Deputy Secretary, Managed Isolation and Quarantine, MBIE	Privacy of natural persons	✓

Privacy of natural persons	Policy Director, Managed Isolation and Quarantine	Privacy of natural persons	
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**The following departments/agencies have been consulted**

The Ministry of Business, Innovation and Employment (Immigration New Zealand), the Ministry of Transport, the Ministry of Foreign Affairs and Trade, and The Treasury

**Minister's office to complete:**

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|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

**Comments**



# BRIEFING

## Managed Isolation and Quarantine implications arising from the creation of the Trans-Tasman COVID-Safe Travel Zone

<b>Date:</b>	18 January 2021	<b>Priority:</b>	High
<b>Security classification:</b>	Restricted	<b>Tracking number:</b>	2021-1906

### Purpose

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This paper provides you with further advice and seeks your agreement on issues relating to Managed Isolation and Quarantine (MIQ) ('quarantine' in Australia) arising from the creation of the trans-Tasman COVID-Safe Travel Zone (TTCSTZ), as indicated in CAB-20-MIN-0532. Further advice is provided on:

- managing the potential increase in travellers 'stopping-over' through New Zealand to Australia
- paying for quarantine costs for New Zealand citizens and residents that quarantine in Australia, who would normally not be liable for charges in New Zealand
- the policy rationale for technical changes to the COVID-19 Public Health Response (Managed Isolation and Quarantine Charges) Regulations 2021

Your direction on these matters is sought to finalise the trans-Tasman COVID-Safe Travel Zone Cabinet paper which will be considered by Cabinet in February.

### Executive summary

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The TTCSTZ Arrangement provides for travellers who have an ultimate destination of one country being able to travel through the other ('stop-over'). If flight schedules mean only 'green-zone' flights are available, the TTCSTZ Arrangement ('the Arrangement') notes that those travellers will need to quarantine for 14 days in their first country of entry. This raises two issues that need to be resolved when Ministers make final decisions on implementation of the TTCSTZ:

- how to manage demand from Australians looking to quarantine in New Zealand on their way to Australia; and
- whether to reimburse New Zealanders who quarantine in Australia if they would be exempt from fees if entering managed isolation in New Zealand.

#### *Australians 'stopping-over' in New Zealand to enter Australia*

Currently, there are about 40,000 Australians who have registered with their government as looking to return home. Because of the limited number of places available for entry to Australia there is a risk that they will look to quarantine in New Zealand on their way home (i.e for the full 14 days, where they are unable to transit in 24 hours). It is difficult to estimate potential demand for MIQ places in this situation, but officials are of the view that risk mitigation processes should be put in place until the likely demand is better understood.

Officials recommend, therefore, that you agree to the creation of a new border exception category of transiting Australians and Australian visa holders, capped in the first instance at 600 passengers for three months from commencement. This would allow officials to monitor potential demand and report back to you within three months of the commencement of the TTCSTZ on the viability of this measure as a longer-term option.

## Reimbursement of costs

Ministers have previously considered the issue of Australian quarantine costs incurred by New Zealand citizens and visa holders who 'stop-over' in Australia en route to New Zealand and who would normally be exempt from charges if they had undertaken MIQ in New Zealand. Ministers asked that officials undertake further work on the question of whether they should be reimbursed for those costs [CAB-20-MIN-0278].

Our work indicates that, while it is difficult to estimate the costs of establishing a mechanism to cover these costs, it is likely to be expensive. It is also an entirely new function for MBIE to reimburse individuals. Officials also note that, in general, people seeking to return to New Zealand will have the ability to choose routes which do not transit Australia. It is recommended that you agree that such costs not be met by the New Zealand government.

Finally, your agreement is sought to a technical change to the COVID-19 Public Health Response (Managed Isolation and Quarantine Charges) Regulations 2020 to ensure travel within a Safe Travel Zone does not inadvertently make a person who would have been exempt from MIQ charges liable to pay.

## Recommended action

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

- a **Note** the text of the TTCSTZ Arrangement provides that where travellers are not able to comply with a country's transit requirements, they will be required to undertake 14 days quarantine in the first country of entry before continuing on a Safe Travel Zone ('green-zone') flight to their final destination

*Noted*

- b **Note** that from the commencement of a TTCSTZ, there are likely to be limited or possibly no 'red-zone' flights, and

- a. this could result in the majority of travellers seeking to travel through New Zealand to Australia being unable to meet the current maximum airside transit time of 24 hours,  
b. in that case, those travellers would need to spend 14 days in MIQ

*Noted*

- c **Note** the creation of a TTCSTZ will free up capacity within MIQ facilities, although it is not clear how much capacity will be freed up over time

*Noted*

- d **Note** it is not possible to forecast how many people will seek to 'stop-over' through New Zealand to Australia or through Australia to New Zealand from the commencement of the TTCSTZ but considering Australia's limited inbound arrival caps and the number of Australians registered to return to Australia, there is a risk that New Zealand's managed isolation facilities could bear a greater burden than Australia

*Noted*

- e **Note** that to manage the flow of passengers 'stopping-over' in New Zealand to Australia and using 14 days of managed isolation, MBIE officials recommend the introduction of a new border exception category for Australians and Australian visa holders arriving from outside of the Zone, with an accompanying cap on numbers

*Noted*

- f **Indicate** your preference on whether to create a new border exception category, with an initial one-off cap of 600 passengers for three months from commencement, to enable Australians,

whose ultimate destination is Australia, to 'stop-over' in New Zealand and undertake 14 days of MIQ

Agree / **Disagree** / Discuss

- g **Note** this option allows officials to monitor potential demand and assess the scale of 'stop-over' passengers issue, and that officials will report back to you on the viability of this measure as a longer-term option following an assessment

*Noted*

- h **Note** that if you agree to a new border exception, officials will seek approval for this through the Ministerial Group and include it in the Trans-Tasman COVID-Safe Travel Zone cabinet paper to be considered in February 2021

*Noted*

- i **Note** that the Minister of Immigration will need to certify instructions to enable this

*Noted*

- j **Note** in August 2020 the Ministerial Group [CAB-20-MIN-0278] indicated support for officials to conduct further work on covering Australian MIQ costs for New Zealand citizens and residents that would normally be exempt from MIQ fees

*Noted*

- k **Note** it is difficult to estimate the costs to establish a scheme to cover Australian MIQ costs for New Zealand citizens as this is a new function for MBIE, but initial work indicates that the costs of such a scheme could be between \$1.85 million - \$2.7 million per month and that further work would be required to provide a more accurate estimate

*Noted*

- l **Note** MBIE officials do not advise that you seek to cover the Australian MIQ costs for New Zealand citizens as the significant costs and resourcing to establish a new function will place additional strain on MIQ, which is already operating within a complex operating environment

*Noted*

- m **Indicate** whether you wish for officials to undertake further work on establishing a reimbursement scheme to cover Australian MIQ costs for New Zealand citizens (Option A)

Agree / **Disagree** / Discuss

- n **Note** that consular loans are available for New Zealanders in severe hardship to cover the costs of New Zealanders in Australia (Option B)

*Noted*

- o **Agree** to add a recommendation to not cover the costs for New Zealand citizens and residents undertaking quarantine in Australia in the Trans-Tasman COVID-Safe Travel Zone cabinet paper to be considered in February 2021

**Agree** / Disagree / Discuss

- p **Note** officials will include the issues of increasing MIQ fees for 'stop-over' passengers and charging MIQ fees up front as part of the broader MIQ fees review

*Noted*

- q **Note** that a person's exempt status from managed isolation charges could be affected by traveling within the TTCSTZ

*Noted*

- r **Agree** that MBIE instruct Parliamentary Counsel Office to amend the COVID-19 Public Health Response (Managed Isolation and Quarantine Charges) Regulations 2020 to ensure travel within a Safe Travel Zone does not affect a person's exempt status

**Agree** / Disagree / Discuss

- s **Note** the proposed timetable for amending the Regulations at paragraph 53.

*Noted*



Megan Main  
**Deputy Secretary,**  
Managed Isolation and Quarantine, MBIE

18 / 01 / 2021



Hon Chris Hipkins  
**Minister for COVID-19 Response**

7 / 2 / 21

Hon Kris Faafoi  
**Minister of Immigration**

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I have disagreed with recommendation (m) because this needs to be agreed in partnership with Australia. International relations.  
If we agree to allow space for Australians returning to Australia, then they need to allow a proportionate amount of space for NZers returning to NZ. A similar agreement needs to be reached on charges.

## Background

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1. This brief provides further advice on the MIQ issues raised in the TTCSTZ Cabinet paper considered by Cabinet on 14 December 2020 [CAB-20-MIN-0532]. Cabinet:
  - agreed to sign the *Arrangement between the Government of Australia and the Government of New Zealand on a Trans-Tasman COVID-Safe Travel Zone*, and
  - noted that officials would provide you with further advice on
    - i. options for measures to manage flows of travellers transiting to Australia through New Zealand and
    - ii. the possibility of paying for quarantine costs of New Zealand citizens and residents undertaking quarantine in Australia who would normally not need to pay costs if they quarantined in New Zealand. (This followed the Ministerial Group established under CAB-20-MIN-0278 indicating support in August 2020 for officials to conduct further work on covering Australian MIQ costs for New Zealand citizens and residents who would normally be exempt from MIQ fees.)
2. This briefing also discusses the technical changes required to the COVID-19 Public Health Response (Managed Isolation and Quarantine Charges) Regulations 2020, to ensure that exemptions from MIQ fees apply with the creation of COVID-Safe Travel Zones.

## The TTCSTZ Arrangement allows passengers to travel through one country en route to the other ('stop-over')

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3. The text of the TTCSTZ Arrangement provides for travellers who have an ultimate destination of one country being able to travel through the other ('stop-over'). It establishes that, where travellers are not able to catch a catch a red-zone flight to quarantine at their final destination, they will be required to undertake 14 days quarantine in the first country of entry before continuing on a Safe Travel Zone ('green-zone') flight. See Appendix One for a diagram.
4. There are currently three types of passengers transiting through New Zealand:
  - Transit under 24 hours where the traveller remains airside. Currently there are no MIQ-related border restrictions on transit passengers. (This is the maximum duration that a passenger may remain airside in New Zealand and is the definition set out in Immigration Regulations of a 'transit passenger'.)
  - Between 24 and 72 hours where travellers with appropriate immigration approvals and proof of onward travel may enter New Zealand for up to 72 hours. (This is congruent with the Australian immigration definition of a 'transit passenger' and is reflected in the Air Border Order. Airlines can seek agreement to board such passengers from Immigration Border Operations, who will assign the traveller a short stay in MIQ.)
  - Between 72 hours and 14 days, where the traveller undertakes 14 days in MIQ and intends to depart New Zealand after managed isolation. Those travellers must meet an existing border exception category (for example, cargo ship crew seeking to join a vessel servicing the Pacific), and hold an MIQ voucher before travel.
5. Allowing passengers to transit through one TTCSTZ country to reach the other country preserves a cost-effective transit route for returning New Zealanders. However, it is possible that the creation of the TTCSTZ will result in either limited or no red-zone flights across the Tasman (as the majority of trans-Tasman passengers will not be required to quarantine on arrival). This would result in the majority of travellers seeking to travel through New Zealand

to Australia being unable to transit in under 24 hours; therefore, our current transit options would not be available. Under the Arrangement, these passengers will need to spend 14 days in the penultimate country's MIQ /quarantine facilities so they can catch a 'green-zone' flight to their final destination.

**Current transit passenger numbers are likely to change but MIQ demand will be dependent on policy settings**

- The table below shows the number of weekly passengers transiting New Zealand to Australia (and vice versa) between 3 August 2020 and 12 November 2020. There are approximately 150 passengers transiting New Zealand to Australia per week (note that this does not include people who have spent more than 24 hours in the transit country). The information is approximate in both directions – for example, people travelling different legs on different passports may not be picked up. It is important to note that this information is likely to change when the TTCSTZ is created.

Table one: Number of passengers transiting New Zealand to Australia and vice versa

Week	Transit NZ to AUS	Transit AUS to NZ
3 August to 9 August	102	Confidential advice to Government
10 August to 16 August	139	
17 August to 23 August	124	
24 August to 30 August	113	
31 August to 6 September	122	
7 September to 13 September	107	
14 September to 20 September	87	
21 September to 27 September	64	
28 September to 4 October	95	
5 October to 11 October	149	
12 October to 18 October	200	
19 October to 25 October	160	
26 October to 1 November	168	
2 November to 8 November	189	
9 November to 12 November	153	
<b>Total</b>	<b>1972</b>	

**Risk that New Zealand MIQ facilities could bear the burden of transit passengers**

- While creating the TTCSTZ will free up some MIQ capacity, it is difficult to estimate with accuracy the size of capacity that will no longer be required by arrivals from Australia or the number of transiting passengers. On average, since the border closure, 40 percent of arrivals into MIQ have arrived from Australia. However, we do not know the breakdown between passengers who transited through as opposed to departed from Australia <sup>International relations</sup> [redacted]. As noted above, data on transit passengers through New Zealand is also subject to error.
- A further consideration is that New Zealand is the only transit route for international travel for some Pacific countries (ie Cook Islands, Niue, Samoa and Tonga) and will need to enable transit travel, including to Australia, for passengers (including Australian citizens) in those countries. This is also likely to be an issue, although a lesser one, for Australia (for example for passengers from Timor Leste or Papua New Guinea who may seek to travel to New Zealand).



9. Depending on New Zealand's settings, demand for MIQ places from people 'stopping-over' could increase when the TTCSTZ is created. Australia's Department of Foreign Affairs and Trade estimates that there are approximately 40,000 Australians seeking to urgently return to Australia. Returns are constrained by the limited space in Australia's quarantine facilities, which is managed through an international arrival cap of 14,000 passengers per fortnight and is therefore less than half of New Zealand's on a per capita basis.<sup>1</sup> On the 8 January 2021, New South Wales, Queensland and Western Australia halved their weekly arrivals cap (until 15 February 2021) to manage the flow of travellers who have been potentially exposed to the new variants of coronavirus.
10. This level of demand means that there is a risk that, if New Zealand facilitates MIQ access for Australians seeking to return to Australia, an undue proportion of our limited MIQ capacity may be consumed by transiting passengers. We note that demand for MIQ places continues to be high for New Zealanders seeking to return to New Zealand, and that we cannot meet the MIQ demand for critical workers. Officials consider it therefore appropriate to introduce measures to protect MIQ spaces for New Zealanders.

International relations

11. International relations
12. Australia's current transit policy of 72 hours (with 8 hours airside) affords a certain degree of flexibility to manage transiting passengers and its weekly international arrivals cap allows it to align arrival numbers with its quarantine capacity. Confidential information entrusted to the Government
13. Confidential information entrusted to the Government

**Officials propose an interim measure to manage risk while meeting the terms of the Arrangement**

14. International relations, and the likely volumes of transiting passengers, officials consider that a new measure to manage the flow of transit passengers into New Zealand is appropriate.
15. It is proposed that the new measure is introduced as an interim mitigation, which allows MBIE additional time to gather more information about the volume and nature of transiting passengers. Once there is additional information provided by the interim measure, MBIE can use this to determine the scale of the transit issue and design a more durable solution accordingly.
16. Officials have considered a number of options to manage the flow of transit passengers. The possible options identified include introducing a cap on the number of transits, using fees as a way to disincentivise transit through New Zealand, requiring payment upfront and limiting transits to only a particular group or adjusting New Zealand's transit timeframes. There are limitations to most of the options and operationalising each option comes with a series of challenges including future-proofing.

*Interim measure of a cap through the immigration system*

<sup>1</sup> New Zealand currently has 4,500 MIQ spaces per fortnight (which accommodates approximately 6,200 people).

17. Officials propose that the most effective and feasible interim measure is the introduction of a cap through the immigration system. This cap will ensure that New Zealand can control the number of Managed Isolation spaces that we allow 'stop-over' passengers to use. This interim measure does not require any additional IT functionality or new funding, and allows us to observe demand before designing a more durable solution that may require more significant changes to our systems.
18. Once the TTCSTZ is created, Immigration New Zealand could create a specific border exception that allows all Australians (citizens and permanent residents) to enter New Zealand. Further development on the specific border criteria would be required.
19. A cap could be introduced within the new border exception category to limit the number of Australians outside of the TTCSTZ that can travel to Australia through New Zealand. Once the cap has been exhausted, the category will be closed or paused. As the cap nears exhaustion, officials will assess how quickly the uptake of the category to determine the actual scale of this issue. The cap also provides a back-stop in the event demand is initially very high. Further work on the border exception category criteria is required.
20. Officials propose that the cap would limit these passengers that reflects the total of 5 percent of total MIQ capacity per month. This equates to 450 rooms per month, and approximately 585 passengers. Officials advise that the number of visas in the border exception category could initially be set to 600 passengers for three months from commencement.
21. These passengers would need to use the Managed Isolation Allocation System (MIAS) and will need to enter the country when they are able to secure a confirmed MIAS voucher. These passengers would not be able to meet the emergency allocation criteria. These passengers would be liable for MIQ charges.
22. Once the border exception category is exhausted, officials will be able to better understand the level of demand for MIQ space from transit passengers. An assessment of how effective the interim measure was at managing demand will be undertaken. You will be advised of this assessment and officials will provide further advice on a more durable solution.
23. Officials will also use the data from the interim measure to explore the possibility of increasing MIQ fees and requiring payment upfront to act as a disincentive for transit passengers. However, given the implications of fee changes across the entire MIQ charging regime, officials will explore this as part of a broader upcoming fees review.
24. If you indicate your preference to create a new border exception, officials will submit this as a proposal for the Ministerial Group on Border Exceptions [CAB-20-MIN-0453] to consider.

## **Covering the costs of New Zealanders who quarantine in Australia who not normally not be liable for charges**

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25. The Ministerial Group established by CAB-20-MIN-0278 indicated a general preference for officials to explore the Government covering Australian quarantine costs for New Zealand citizens and residents undertaking quarantine in Australia who would normally not be liable for charges if they quarantined in New Zealand. International relations
26. MBIE officials have undertaken initial work to understand the options available to cover the costs of New Zealanders who quarantine in Australia who not normally not be liable for charges and the implications associated with this. MBIE's initial assessment is that on balance, the costs and complexity of establishing a new function for MIQ is not advised, as

this would direct attention from core business of MIQ, which is becoming increasingly complex.

### **Exemptions from liability for New Zealand MIQ charges do not apply to quarantine done in Australia**

27. New Zealanders who undertake a period of quarantine in Australia will likely need to pay the applicable MIQ charges imposed by Australian states. The charges for Australian MIQ vary from state to state in terms of structure (e.g. discounted rates for families, capping of total costs for a family group, and treatment of children) but the rates are broadly commensurate with New Zealand's MIQ charges.<sup>2</sup>
28. If a New Zealander undertakes MIQ in New Zealand, their liability for charges is determined under the COVID-19 Public Health Response Act 2020 and the COVID-19 Public Health Response (Managed Isolation and Quarantine Charges) Regulations 2020 (the Regulations). The Act and Regulations provide various exemptions and waivers in certain situations. The Act and Regulations only apply to MIQ done in New Zealand.
29. Most relevantly, New Zealanders returning home for more than 90 days are exempt from charges, and waivers are available in cases of undue financial hardship or special circumstances. Evidence indicates that the majority of New Zealanders entering MIQ are not liable for charges.

### **While there are equity considerations, there is no legal obligation to cover these costs and there are numerous direct flight paths to New Zealand available**

30. The purpose of exemptions and waivers is to ensure that MIQ charges imposed by the New Zealand Government are not an unjustified limitation on New Zealanders' right to enter New Zealand, which is protected under the New Zealand Bill of Rights Act 1990 and Immigration Act 2009.
31. The same considerations do not apply to MIQ undertaken in Australia. The New Zealand Government is not required by law to mitigate costs imposed by the Australian Government on New Zealanders transiting through Australia. The New Zealand Bill of Rights Act 1990 only applies to acts done by the New Zealand government and only generally within New Zealand. The right to enter New Zealand does not require the New Zealand Government to actively repatriate people.
32. MBIE officials also consider that there are enough international flights into New Zealand that provide travellers with options to fly directly into New Zealand, rather than fly through Australia. There are approximately seven international flights arriving into New Zealand (without transiting Australia) per day.
33. MFAT considers that these costs should be covered to avoid equity issues between New Zealanders returning home. For example, at the time a Safe Travel Zone is announced, some New Zealanders are likely to already have travel booked through Australia, with the expectation of entering MIQ in New Zealand. If non-Zone flights become unavailable, they will instead need to undertake Australian quarantine and pay the Australian fee. The decision of the governments to start the Safe Travel Zone could be seen as the cause of this substantial increased cost for these New Zealanders.
34. MFAT also considers that decisions on reimbursement will affect incentives for New Zealanders yet to book travel home. Those who might have travelled via Australia may be strongly incentivised to find alternative routes home to avoid the Australian fee. Australians are not likely to face the same incentives in reverse (to avoid New Zealand) as Australians are generally charged for quarantine in both countries. In effect, both groups could seek

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<sup>2</sup> The average charges for Australian state MIQ are AUD\$2,452 for the first or only adult, \$1,031 for the second adult; \$725 for a child.

places in New Zealand MIQ facilities, putting more pressure on these than Australian facilities. MBIE anticipates that this issue will be mitigated by the introduction of a cap.

### **Implications of establishing a mechanism to cover charges will incur significant costs and resourcing**

35. While MBIE does not recommend it, if you decide to cover the costs of New Zealanders undertaking quarantine in Australia the following implications should be considered. The following two options for providing government assistance have been identified (these options are not mutually exclusive).
- Option A: enable New Zealanders to seek reimbursement for MIQ charges on grounds mirroring the MIQ fees exemption waiver process. This would be less administratively burdensome than the New Zealand Government paying the separate Australian State and Territory governments directly on behalf of the traveller.
  - Option B: in very rare cases, MFAT could provide financial assistance, in the form of a consular loan, where a person has exhausted all financial avenues and requires resources to ensure their immediate safety and well-being.

#### *Operationalising Option A*

36. Confidential advice entrusted to the Government

37. If you choose to operationalise Option A, officials would recommend a reimbursement scheme, where travellers will need to meet the costs of quarantine upfront and can then seek reimbursement from the New Zealand Government. MBIE suggests that the following criteria would apply to applications for reimbursement:

- The person is a New Zealand citizen or permanent resident.
- The person undertook MIQ in Australia and can present receipt of payment made to the relevant Australian State body.
- The person would not have been liable for MIQ charges under the MIQ Charges Regulations had they done their MIQ in New Zealand.
- The person must travel directly to New Zealand from Australia once they complete MIQ – i.e. the person cannot spend additional time in Australia before returning to New Zealand.

38. It is difficult to determine with accuracy how much demand there would be for this option.

international relations

Even if the restrictions are eased, there is limited data about how many travellers might undertake quarantine in Australia and how many of those travellers would not be liable for MIQ charges had they done MIQ in New Zealand.

39. Establishing a reimbursement scheme to pay individuals would be an entirely new function for MBIE. MBIE anticipates establishing a reimbursement scheme would be costly. While MBIE has systems and process in place to reimburse businesses (e.g. the consumer travel reimbursement scheme where grants were issued to travel agents to pay out to consumers), it does not have the finance systems and processes required to reimburse individuals.
40. MBIE officials expect that the establishment costs to be significant and cannot be absorbed within current baselines. Working off approximate information, MBIE estimates that it could be between \$1.85 million<sup>3</sup> and \$2.7 million per month based on the following information:
- Confidential advice entrusted to the Government
  - currently it costs \$200,000 per month to administer the MIQ fees exemptions and waivers function (150 assessments per week); MBIE estimates it would cost an additional \$200,000 per month to administer the reimbursement scheme (180 assessments per week plus additional complexity of assessment); and
  - set up costs of approximately \$2 to 4 million (based on indicative costs of establishing a new IT system).
41. As noted above, we expect most New Zealanders travelling through Australia would have otherwise been exempt from liability or charges in New Zealand MIQ.
42. If New Zealand and Australia's transit arrangements are broadly reciprocal, some of the costs of reimbursing New Zealanders doing MIQ in Australia to be offset by Australians transiting through New Zealand and undertaking and paying for MIQ here. However, we anticipate there would be a shortfall and cost of \$600,000 per month to Government. Currently, Confidential advice entrusted to the Government  
This would recover fees of \$1.6 million a month on the assumptions that all of those passengers:
- are Australian citizens or residents
  - do the full 14 days in NZ MIQ (i.e. they are unable to meet Australian transit requirements)
  - pay \$3,100 per person (the cost of single adult in a room)
  - are fully liable (not eligible for waivers on grounds of undue financial hardship or special circumstances); and
  - all charges are paid.
43. It is similarly difficult to determine liability of New Zealanders who do MIQ in New Zealand is resource intensive and is a high trust model relying on self-declaration of travellers. This requires manual assessments, determinations and processing. Extending this assessment to New Zealanders who undertake MIQ in Australia would be an additional function and be more complex, requiring both an assessment of whether the person is not liable for fees and whether they meet the criteria set out above.
44. This would require the creation of a new Multi-Category Appropriation (MCA) mirroring the current MIQ MCA, because the overarching purpose of the existing MIQ MCA is not wide enough to provide funding for any activities outside of New Zealand. Under the current MIQ MCA, MBIE considers that there is no capacity to meet these costs without significantly impacting on operational delivery, so additional funding would be required.

Confidential advice entrusted to the Government

45. Because of the uncertainty regarding the cost of creating a reimbursement system and the number of travellers who would seek reimbursement, a demand-based appropriation may be preferable to mitigate the risk of unappropriated spending if demand is higher than anticipated. This risk could also be mitigated by setting aside an additional amount of funding in a tagged contingency to be drawn down in the case of unexpectedly high demand.

#### *Operationalising Option B*

46. If you do not wish to operationalise Option A, Option B of offering consular loans is available. Implementing Option B to extend financial support beyond the current consular loan delegation would need further consideration by affected agencies (including MFAT, MSD, Treasury and Inland Revenue) and decisions by relevant Ministers. Consular loans are expected to be repaid in full within 30 days. There is currently no legal basis to provide financial support where the impact on the individual does not imperil their immediate safety and well-being.
47. Any decision to extend the availability of consular financial support should be considered by the Minister of Finance under s 65L of the Public Finance Act. Moreover, MFAT's existing processes and financial management system for administering consular loans is not designed to advance large volumes of consular loans and a more sophisticated and secure financial management system is required. Extending the consular loan delegation will have a significant financial and operational impact, in particular, for MFATs already stretched, offshore network.

#### **On balance, the administrative costs of covering the costs of New Zealanders outweighs the benefits**

48. On balance, officials consider that the administrative and financial costs of covering the costs of New Zealanders undertaking quarantine in Australia, for what is likely to be a small group of eligible people, outweighs the benefits that stand to be gained. Adding additional functions to MIQ that do not directly contribute to the objective of keeping COVID-19 out of the community may also over-burden MIQ, which is already operating in a fluid and complex environment.
49. However, should you wish to cover these costs, officials advise that Option A should be progressed over Option B. Option B would still be available for travellers facing severe hardship.

#### **Minor technical changes to regulations**

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50. CAB-20-MIN-0532 also noted that minor technical changes will be required to the COVID-19 Public Health Response (Managed Isolation and Quarantine Charges) Regulations 2020 to ensure that exemptions from MIQ fees for New Zealanders apply in the context of quarantine-free travel with Australia. This was also noted in CAB-20-MIN-0515 on quarantine-free travel between New Zealand and the Realm countries (Cook Islands and Niue).
51. The way that the regulations are currently drafted, a New Zealander (who departed before the 11 August 2020) enters a Safe Travel Zone (either with the Cook Islands or Australia) from outside of the zone and undertakes MIQ in New Zealand (where they are exempt from MIQ charges), would become liable for those MIQ charges if they travelled to a Safe Travel Zone country within 90 days.
52. A minor amendment is required to the COVID-19 Public Health Response (Managed Isolation and Quarantine Charges) Regulations 2020 to ensure that a person's exempt status is not affected if they travel to a country with which New Zealand has a quarantine-free safe travel arrangement, within the initial 90 days of their returning home.

53. Given the minor and technical nature of the changes, if you agree, MBIE will instruct Parliamentary Counsel Office to begin drafting, and prepare a paper for consideration alongside draft Regulations by Cabinet Legislation Committee on the following timetable:

Instructions to PCO	26 January 2021
LEG paper and draft Amendment Regulations to Minister's Office for consultation (2 weeks consultation)	9 February 2021
Lodge paper and draft Regulations with Cabinet Office	18 February 2021
Consideration by LEG	25 February 2021
Cabinet / Executive Council	1 March 2021
Regulations come into force	28 days after Executive Council or sooner if Cabinet agrees to waive 28 day rule

## Next steps

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54. The decisions in this paper will inform the Cabinet paper to confirm arrangements are in place, allowing Cabinet to confirm a specific commencement date for the TTCSTZ.
55. If you agree to the recommended option to manage the flow of transit passenger, officials will include a Trans-Tasman border exception proposal for the Ministerial Group considering border exceptions.
56. If you agree to cover the Australian quarantine costs for New Zealand citizens and residents undertaking quarantine in Australia who would normally be exempt from MIQ charges in New Zealand, MBIE will work to provide you further information of operationalising this decision.
57. If you agree to the technical changes to the COVID-19 Public Health Response (Managed Isolation and Quarantine Charges), MBIE will instruct Parliamentary Counsel Office to begin drafting, and prepare a paper for consideration alongside draft Regulations by Cabinet Legislation Committee.

# Appendix One: diagram of managing flow of 'stop-over' passengers

