



BRIEFING

MIQ charges for aircrew and maritime crew and treatment of different visa classes traveling together

Date:	4 March 2021	Priority:	Urgent
Security classification:		Tracking number:	2021-2665

Action sought		
	Action sought	Deadline
Hon Chris Hipkins Minister for COVID-19 Response	<p>Decide whether aircrew and maritime crew, as temporary entry class visa holders, will be liable for the higher fee of \$4,800 + GST;</p> <p>Agree how to apply MIQ charges to temporary entry class visa holders in the same MIQ room as people liable for the lower fee; and</p> <p>Agree to require overseas airlines to pay the prescribed fee in the Regulations and that separate direct invoicing arrangements between airlines and MIQ facilities/hotels are phased out accordingly.</p>	5 March 2021

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Kara Isaac	General Manager, MIQ Policy	Privacy of natural persons		✓
Privacy of natural persons	Policy Manager, System and Strategy	Privacy of natural persons		
Privacy of natural persons	Senior Policy Advisor, System and Strategy			

The following departments/agencies have been consulted
Ministry of Transport, Maritime New Zealand and Ministry of Foreign Affairs and Trade.

Minister's office to complete:

- | | |
|---|--|
| <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 Withdrawn |



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MIQ charges for air crew and maritime crew and treatment of different visa classes traveling together

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Purpose

This paper seeks your direction on how to address two issues that have arisen following the announcement of the proposed increase in Managed Isolation and Quarantine (MIQ) charges for temporary entry class visa holders.

Executive Summary

On 2 March 2021, with your agreement, MIQ released communications on the proposal to charge temporary entry class visa holders the higher MIQ fee of \$4,800 + GST. The announcement highlighted some matters that require your decision before the amendments to the Regulations can be finalised. The key decisions being sought are:

- whether the proposed changes to the MIQ charges for temporary entry class visa holders should apply to air and maritime crew who lay-over in New Zealand for a short period of time; and
- what MIQ charges should apply to temporary entry class visa holders when they are sharing a room with family members liable for the lower MIQ fee (New Zealand citizens/residents or critical health workers).

Potentially carving out aircrew and maritime crew from paying the higher fee

The proposed fee only represents average MBIE costs for MIQ and as such, still contains a degree of government subsidy. However Transport and MFAT are concerned about the impact of the higher fee on the aviation and maritime sectors.

There is a concern that any increase in MIQ costs could further risk the economic viability of the airlines, which could lead to an increase in prices for freight or passengers, or ultimately their withdrawal of services to and operations in New Zealand. Similarly Maritime New Zealand has advised that an increase to the MIQ charge for maritime crew could have implications for the international shipping supply chain, crew changes of ships as well as New Zealand's ability to assist the repatriation of Pacific Island seafarers back to their home countries.

MBIE recognises the critical importance of keeping key air and maritime routes into New Zealand operating. However the majority of aircrew and maritime crew are staying for short periods (between 1-3 days) in MIQ and only pay fees on a pro-rata basis. The difference between current prescribed fee and the proposed higher is \$172.86 per night per crew member. Cabinet has already considered the rationale for increasing the MIQ charge for temporary entry class visa holders as a class of people [CAB-MIN-21-0016 refers].

Commercial Information

Treatment of different visa classes traveling together

The paper also seeks your agreement to specifying in the Regulations that temporary visa holders sharing a room with people liable for the lower \$2,696 + GST fee (i.e. New Zealand citizens/residents and critical health workers) should also pay the lower fee levels.

This would help ensure that New Zealand citizen/residents do not face additional financial barriers in bringing their non-citizen/resident family members back to New Zealand. It would also be easier to operationalise in terms of simplicity of invoicing, and consistent with how we apply fee waivers (if one person in the room is eligible for a waiver, then this is generally applied to their family members also).

In order to complete the drafting of the Regulations within planned timeframes, we require a decision from you on these matters by Friday 5 March 2021.

Recommended action

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

a **Note** that the changes to the COVID-19 Public Health Response (Managed Isolation and Quarantine Charges) Regulations 2020 are currently being drafted by the Parliamentary Counsel Office to give effect to Cabinet's decision to increase the MIQ charge for temporary entry class visa holders to \$4,800 + GST;

Noted

b **Note** that with your agreement, MIQ released communications on the proposal to charge temporary entry class visa holders the higher fee on 2 March 2021 in order to provide international students (as temporary visa holders) sufficient advance warning of the fee increase ahead of entering the country;

Noted

c **Note** that the Ministry of Transport (Transport), Maritime New Zealand and the Ministry of Foreign Affairs and Trade (MFAT) have expressed concerns about the impact of the higher fee on air and maritime crew and the wider sectors and recommend carving them out of the higher fee for temporary entry class visa holders;

Noted

d **Note** that in order to complete the Regulations in the planned timeframe, we need a decision from you on the matters presented in this paper by Friday 5 March 2021;

Noted

Decision 1: Carving out aircrew and maritime crew from paying the higher fee

e **Agree** either:

i. **Option 1 (Status quo):** Air crew and maritime crew, as temporary entry class visa holders, will be liable for the higher fee of \$4,800 + GST;

Agree disagree

OR

ii. **Option 2 (Ministry of Transport, MFAT and Maritime NZ preferred option):** Air crew and maritime crew are carved out of the temporary entry class visa holders' liability for the higher charge and remain at the standard fee of \$2,696 + GST;

Agree disagree

Decision 2: Treatment of different classes of visa under the MIQ Charges Regulations

f **Note** that a decision is required about what charges should apply to temporary entry class visa holders when they are sharing a room with family members liable for the lower MIQ fee (New Zealand citizens/residents or critical health workers);

Noted

g **Agree** to either:

- i. **Option 1** - specify in the Regulations that temporary visa holders sharing a room with person liable for the \$2,696 + GST fee will pay the lower fee levels;

Agree / disagree

OR

- ii. **Option 2** - specify in the Regulations that temporary visa holders sharing a room with a person liable for the \$2,696 + GST fee will pay the proposed higher temporary visa holder rates fee of \$2,600 + GST for an additional adult in the room;

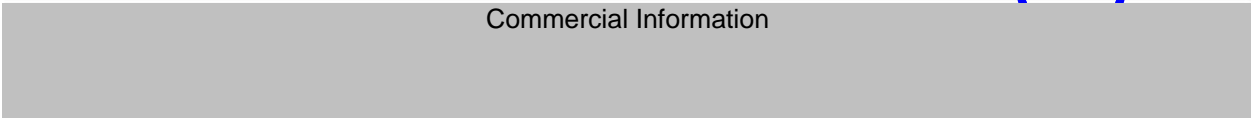
Agree / disagree

h **Agree** that officials instruct the Parliamentary Counsel Office to amend the COVID-19 Public Health Response (Managed Isolation & Quarantine Charges) Regulations 2020 to give effect to your decisions on this paper;

Agree / disagree

i **Agree** to seek final policy approvals of the decisions agreed to in this paper through Cabinet Legislation Committee (if you decide to amend the Regulations) on 18 March;

Agree / disagree

j  Commercial Information

Agree / disagree

k **Agree** to consult the Minister of Transport for discussion before making final decisions.

Agree / disagree



Kara Isaac
General Manager
MIQ Policy, MBIE

4.3.21
..... / /



Hon Chris Hipkins
Minister for COVID-19 Response

9 / 3 / 21
..... / /

Background

1. On 15 February 2021, Cabinet agreed to increase the MIQ charges for temporary entry class visa holders to the same level as critical workers [CAB-21-MIN-0016]. No changes have been proposed to the fees settings for critical health workers, who will continue to be liable for the standard MIQ fee of \$2,696 + GST.
2. Cabinet also gave you delegated authority to make decisions on any matters, consistent with the policy proposals in the paper under CAB-21-SUB-0016 that may arise during the drafting process [CAB-MIN-21-0016 refers].
3. The changes to the Regulations are currently being drafted by the Parliamentary Counsel Office (PCO) and are due to be considered at/approved by Cabinet and, subsequently the Executive Council, on 22 March 2021. Subject to final decisions by Cabinet and the Executive Council, these changes will come into force at 12.01am on 25 March 2021.
4. On 2 March 2021, with your agreement, MIQ released communications on the proposed changes to charge temporary entry class visa holders the higher fee. The new fee was communicated ahead of final Cabinet decisions in order to provide international students (as temporary visa holders) sufficient advance warning of the fee increase ahead of entering the country.
5. The announcement has highlighted some matters that require your decision before the amendments to the Regulations are finalised.
6. Under the Immigration (Visa, Entry Permission and Related Matters) Regulations 2010, overseas-based air and maritime crew are deemed to be granted a temporary entry class visa, and as such, will become liable for the higher fee of \$4,800 + GST under the proposed changes.¹ This paper outlines the concerns raised by Ministry of Transport, the Ministry of Foreign Affairs and Maritime New Zealand about the impact of the higher fee on the aviation and maritime/shipping sectors. They recommend carving out aircrew and maritime crew from paying the higher fee.
7. It also seeks a decision from you on how different visa classes travelling together should be treated in terms of MIQ fees.

Managed Isolation for aircrew

Managed isolation requirements for overseas air crew

8. The COVID-19 Public Health Response (Air Border) Order (No 2) 2020 and COVID-19 Public Health Response (Isolation and Quarantine) Order 2020 were amended on 4 October 2020 to require overseas-based air crew who are laying over in New Zealand to stay in a managed isolation facility (MIF) for as long as they are in the country.

9.  Commercial information

¹ New Zealand based aircrew do not enter MIFs, but self-isolate at home or in a self-isolation hotel. As such, they do not pay MIQ fees.

² These figures have been provided by BARNZ – see Annex 3 for further detail.

Current MIF payment arrangements for aircrew

10. Under the current Regulations, overseas aircrew are liable for the MIQ fee of \$3,100 (including GST) for a 14 day stay in MIQ, or \$221.43 per day (calculated on a pro rata basis) as air crew generally only spend one to three days in MIQ.
11. As at 21 February 2021, \$281,295 had been paid in MIQ fees by overseas airlines, with 37 invoices unpaid (but within the 90 day payment period) and five overdue.

12. Commercial information

13. Commercial information

14. MBIE’s view is that this historical direct contracting arrangement should be phased out, regardless of any other changes to the fees settings for aircrew.

15. Commercial information

16. Cabinet’s decision of 15 February 2021 to increase the fee means that from 25 March 2021, overseas aircrew will be liable for MIQ charges of \$5,520 for a 14 day stay in MIQ, or \$394.29 per day (all including GST).

17. The various cost scenarios are set out in the table below.

	A - Direct invoicing arrangements (estimated and not including meals)	B - Current MIQ charging Regulations	C - Proposed changes to the Regulations
14 day cost	n/a	\$3,100 incl GST	\$5,520 incl GST
Per day cost, per person (pro rata)	Commercial information	\$221.43 incl GST	\$394.29 incl GST

18. The proposed new fee for temporary visa holders represents a per crew member increase of Commercial information per night for airlines who have been paying the fee in the current Regulations, and an estimated increase of Commercial information per night for airlines that have been contracting directly with MIFs.

19. Commercial information

³ This is based on the figures provided by BARNZ – see Annex 3.

Commercial information

Impact of increase in MIQ fee on airlines

20. Transport advises that New Zealand's international air connections are fragile. In the last 12 months, direct city connections have been cut from 44 to 24, and flights from 550 per week to around 140 per week.
21. Many flights into New Zealand are not considered commercially viable and some airlines are subsidised by the International Air Freight Capacity (IAFC) scheme. The IAFC was established in March 2020 as part of the Government's COVID-19 response and is administered by Ministry of Transport. The scheme is designed to ensure that New Zealand maintains critical airfreight connectivity so that critical imports could continue to come to New Zealand, and high value exports could reach their markets.
22. IAFC funding agreements ensure that airlines continue to operate key routes by providing contractual assurance that they will not lose money doing so. The IAFC provides funding on a flight-by-flight basis to "top up" any revenue shortfall to an agreed break-even level. Various cost adjustment mechanisms are provided in the IAFC funding agreements to account for cost increases (e.g. fuel price changes). IAFC funding agreements currently run until 31 April 2021, with Cabinet due to make decisions on the longer-term future of the scheme this month.
23. Airlines who are supported by the IAFC scheme are able to seek payment for MIQ costs from the Government. The Ministry of Transport considers that increasing the cost of MIQ to these airlines will likely result in airlines seeking increased funding through the IAFC.
24. Airlines who are not supported by the IAFC are required to meet their own MIQ costs. The Ministry of Transport advises that for these airlines, an increase in MIQ costs may risk the economic viability of the airlines and result in an increase in prices for freight or passengers, or ultimately lead to their withdrawal of services to and operations in New Zealand. This would further reduce our connectivity to global markets and also impact the ability for New Zealanders to return home.
25. **Annex 1** outlines the indicative estimates of the potential impact the higher fee vs status quo might have on airlines. **Annex 2** provides further detail of Transport's concerns.
26. BARNZ has also provided their views on the potential impacts of the increased fee on the aviation sector (**Annex 3**).

Impact of increase in MIQ fee for the maritime and shipping sector

27. In the maritime sector, MIQ mostly deal with maritime transfer crew members (who enter the country as temporary entry class visa holders) and fishing crews. Fishing crews (like the two tranches of international mariners from Russia and Ukraine) generally enter New Zealand via the air border as 'critical workers' (a border class exception) and are therefore subject to the critical worker fee.

Managed isolation requirements for maritime crew entering via the maritime border

28. The COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020 (Maritime Border Order) requires maritime crew members coming into New Zealand waters to enter managed isolation and quarantine for 14 days unless they are transferring directly from their ships to an international flights (or vice versa) within a short period.

Current operations for maritime crew in MIQ

29. On average, MIQ data shows that about 80% of crew changes require a stay at a MIQ facility and the standard length of stay in the MIQ facilities for maritime crew is one to three days. We reserve about 60 rooms per day for maritime crew members required to stay in MIQ.

30. From 1 February 2021, a new border exception category allowed replacement cargo crew servicing the Pacific region to apply to enter MIQ for a 14-day stay prior to boarding their vessel, to mitigate the risk of spreading COVID-19 to the region.
31. MIQ primarily deals with approximately 20 shipping agents, who are contracted by ship owners to manage and facilitate the presence of maritime crew in New Zealand. Shipping agents manage the payment of MIQ charges. In most cases, they are charged on a pro-rata basis (\$221.43 incl. GST per night).
32. Additionally, shipping agents also directly pay a transport agent to transfer maritime crew to/from MIQFs – this cost is in addition to the MIQ charge shipping agents pay. These transfer costs vary between locations includes and it ranges from \$635 to over \$7000 for a single transfer from one port to a MIQ facility. As the higher fee takes into account the transport costs, we would need to consider how to best address the transport needs of maritime crew if you decide to make them liable for the higher fee.

Impacts of the increase in MIQ fees for the maritime sector

33. Maritime New Zealand has advised that an increase to the MIQ charge for maritime crew could have implications for the international shipping supply chain, crew changes of ships as well as New Zealand's ability to assist the repatriation of Pacific Island seafarers back to their home countries. Further detail on these implications can be found in Annex 2.
34. New Zealand also has an obligation under the Maritime Labour Convention 2006 (MLC), to ensure that minimum health, safety and seafarer welfare standards are upheld by all ships entering New Zealand waters. In addition, New Zealand is obligated under the MLC to facilitate the replacement and repatriation of seafarers, such as for replacement crew changes. There is a risk that the increase in fees could impact on these obligations.
35. New Zealand has specific obligations towards the Pacific region. New Zealand has special responsibilities towards the Cook Islands, Niue, and Tokelau as part of the Realm of New Zealand. In addition, New Zealand also has a Treaty of Friendship with Samoa and 2019 Statement of Partnership between New Zealand and Tonga. In setting New Zealand's border strategy, Cabinet agreed that the strategy must mitigate the risk of COVID-19 transmission into the Pacific [CAB-MIN-20-0821 refers]. If the MIQ fees are raised for replacement cargo crew servicing the Pacific, this could negatively impact the crew changes that are crucial to these supply routes and the region's economic stability and food security.

Treatment of different visa classes travelling together

36. In some cases a New Zealand citizen/resident or critical health worker (liable for the \$3,100 fee) will travel with a partner and children who are on a temporary entry class visa.
37. Following the media coverage on 2 March 2021 about increasing the MIQ fee for temporary entry class visa holders, we have received media enquiries about what level of fee these family members will be liable for under the proposed changes.
38. The table below sets out how this scenario would be treated under the current Regulations for family groups travelling together and sharing a room, and what the charges would be from 25 March 2021 (when the proposed changes are intended to come into effect).

	Fee under current Regulations	Proposed fee from 25 March 2021
First person: New Zealand citizen/resident or critical health worker	\$3,100 (incl GST)	\$3,100 (incl GST)
Partner in the same room travelling on a temporary entry class visa	\$950 (incl GST)	\$2,990 (incl GST)
Child in the same room travelling on a temporary entry class visa	\$450 (incl GST)	\$1,610 (incl GST)

39. Where a family member travelling on a temporary entry class visa enters the country separately from the New Zealand citizen/resident or critical health worker, they would be charged the higher fees.
40. A decision is needed about how these family members travelling together should be treated in terms of MIQ charges. Two options are set out below. All figures are inclusive of GST.

Option 1 –specify in the Regulations that temporary entry class visa holders sharing a room with people liable for the \$3,100 fee should pay the lower fee levels (recommended)

41. This option would view family members sharing a room with New Zealand citizens/residents and critical health workers as 'fellow residents' of the person liable for the \$3,100 fee, and charge them the additional person rates of that lower fee class, irrespective of their visa status.
42. Where the first person in the room is liable for the fee of \$3100, fellow residents with that person (whether or not they are temporary entry class visa holders) would be charged:
 - \$950 for an additional adult in the room
 - \$475 for a child (aged 3-17) in the room.
43. This approach would be consistent the process for fees waivers. Waivers are generally granted on a room by room basis. Where a fee waiver has been approved for the first person, this would usually apply to all family members sharing the room.
44. It would also be broadly consistent with how the Regulations treat family members of people who are not liable for fees. Under regulation 8 (a), if a person is not liable for MIQ fees (i.e. a New Zealand citizen returning for more than 90 days), then family members fellow residents sharing a room with that person are also not liable for fees, unless they are a critical worker or critical health worker.

Option 2 –charge temporary entry class visa holders sharing a room with people liable for the \$3,100 fee the proposed higher temporary visa holder rates

45. Under the proposed regulation change each person in the room would be charged on the basis of their individual visa status.
46. Where the first person in the room is liable for the fee of \$3100, fellow residents of that person (if they are temporary entry class visa holders) would be charged:
 - \$2,990 for an additional adult in the room
 - \$1,610 for a child (aged 3-17) in the room.
47. This option would result in more MIQ costs being recovered, although the temporary entry class visa holders would continue to be able to apply for full or partial waivers on the basis of undue financial hardship or special circumstances.
48. MBIE would be dependent on improved information sharing arrangements with border agencies in order to operationalise this option and validate the visa status of family members travelling with New Zealand citizens/residents and critical health workers.
49. We recommend **Option 1**. This would help ensure that New Zealand citizen/residents do not face additional financial barriers in bringing their non-citizen/resident family members home to New Zealand. It would also be easier to operationalise in terms of simplicity of invoicing.
50. This option would mean that family of New Zealand citizens/residents or critical health workers joining their onshore partner (travelling separately) will be liable for higher fees than those temporary entry visa class holders travelling together with their families. However in these

circumstances, the family members would continue to be eligible to apply for full or partial fee waiver on the basis of undue financial hardship or special circumstances. We do not propose to make any changes to these settings.

Next steps if you agree to making changes to the Regulations

51. If you agree to amend the Regulations, the process going forward is outlined below:

Date	Stage
5 March	Officials instruct PCO to draft Regulations to reflect new policy decisions
10 March	Final LEG paper and Amended Regulations provided to the Minister's office
11 March	Lodge Cabinet Paper
18 March	LEG Committee approval final policy changes and amended Regulations
22 March	Cabinet meeting to approve changes Executive Council approval
25 March	Amended Regulations come into force at 12.01am

Annexes

Annex one: Financial impacts of the fee increase on airlines (provided by the Ministry of Transport)

Annex two: Further information from the Ministry of Transport on impacts of increasing the fees

Annex three: Email from the Board of Airline Representatives New Zealand (BARNZ)

Annex 1: Financial impacts of the fee increase on airlines

The following modelling has been provided by the Ministry of Transport.

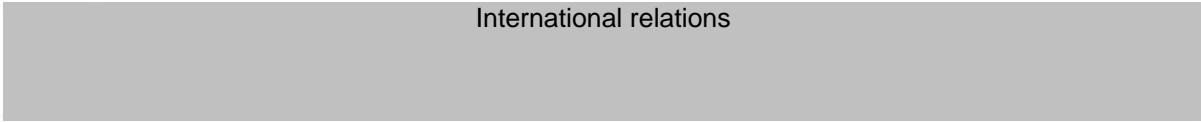
Carrier	Number of flights operated per week	MIQ cost under current rates	MIQ cost after increase	Per week cost increase
Air Canada	3	Commercial information and International relations		
Cathay Pacific	1			
China Airlines	5			
China Eastern	2			
Emirates	4			
Qantas	7			
China Southern	5			
Korean	1			
Malaysia	2			
Qatar	3			
Singapore	10			
Total cost				

Commercial information and International relations

Annex 2 – Further information from the Ministry of Transport on potential impacts of increasing the fees for air and maritime crew

Importance of aviation connectivity

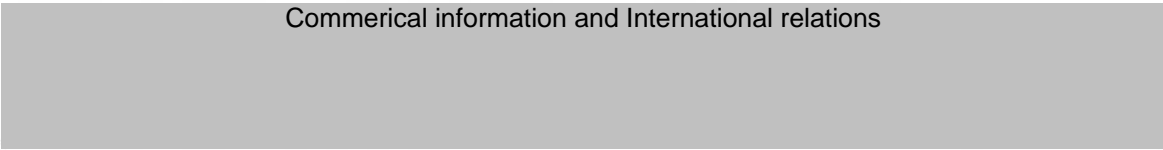
Aviation connectivity is critical in both the short term and the medium-long term. In the short term, it provides:

-  International relations
- our ability to access critical imports, including the supply of vaccines
- critical passenger connectivity

In the medium and long-term, aviation connectivity provides a platform for international tourism recovery – which made up 20% of export revenue pre-COVID and employed over 200,000 people in New Zealand. Broad connectivity is also important for business carried out across international borders. International aviation is not particularly agile and cannot be turned on and off at will - if foreign airlines leave New Zealand now, it will take several years to attract them back.

Impacts of increasing MIQ costs for aircrew

A table of financial impacts is attached as Annex 2. In isolation, the immediate financial consequences set out in the table might not appear to be a compelling case for an exemption. Transport consider them to be cumulative though, and because of the context set out below, to be just one additional measure to make operating flights to New Zealand even less attractive and which may cause those airlines to reduce their flight schedule or leave New Zealand entirely:

- New Zealand's international air connections are fragile, and in the last 12 months has been cut from 44 direct city connections to 24, and from 550 flights per week, down to around 140 per week (half of which we support under IAFC)
- even in the best of times, New Zealand is a challenging market for international airlines to operate to profitably. Routes are long and expensive to operate, with uncertain returns from our small market
- a number of airlines have already permanently suspended operations, others are in the process of fully withdrawing (making local staff redundant, ending office and terminal leases) and others are actively considering their future presence in New Zealand
- we have seen airlines exit overseas markets recently (eg Emirates in Australia) through border changes that do not appear considerable in and of themselves, but that become a tipping point
- this is another cost in an already cost sensitive market – and may further reduce the viability of already marginal flights
- airlines are very sensitive to cost changes, as they are all under significant financial pressure due to the impact of COVID-19
-  Commerical information and International relations
- overall passenger numbers may drop as a result of the fee change, which may also further impact on profitability/viability.

Distinction between air crew and other temporary visa holders

An important distinction for air crew relative to other groups that may be affected by the change is their frequent movements in and out of New Zealand. As BARNZ notes below, they may only stay in MIQ for 24 hours, and do so three times a week. Their movements are not, for example, comparable to international students or other groups that may be on a temporary visa and are seeking access to New Zealand for a lengthy period of time.

Maritime

Maritime NZ have noted that:

- Any MIF fee increases to temporary visa holders are likely to impact on both international crew changes at New Zealand ports and also New Zealand assisting the repatriation of Pacific Island seafarers back to their home.
- Shipping owners are likely to be more reluctant to progress crew changes if the MIF costs are increased for this group. Shipping owners are already experiencing increased costs and loss of income due to COVID impacting the international supply chain. They already run on tight margins and as they cannot control many of their costs eg Port charges, fuel costs etc, they will pull back on costs they can control – such as crew changes.
- For crew changes that need to be done (to meet Maritime Labour Convention requirements), we may see a push by ship owners to direct airport to vessel transfers (avoiding the cost of MIFs as much as possible). This is logistically difficult at times and may result in crew changes being abandoned or cancelled at the last moment.
- There is a possibility that without crew changes, some ship owners could exploit existing crew for as long as possible (eg. working without contracts, extending contracts unlawfully)
- New Zealand has been working on assisting our Pacific island neighbours with repatriation of Pacific crew from overseas back to their homes. Many Pacific islands are now enforcing a strict 14 day isolation period before their citizens are allowed back home. The increase of costs for this repatriation (which must be met by the ship owner), could deter our work in getting these seafarers (many who have not been home in over a year) back home. New Zealand was recently asked at an International Maritime Organisation Pacific Hub meeting to assist more in the repatriation of Pacific island seafarers.
- There is also the question of how this might impact replacement crew (of any nationality) heading for vessels that will serve the Pacific. New Zealand has made extensive efforts to prevent the introduction of COVID-19 to the Pacific, including ring-fencing MIQ beds for these replacement crew to quarantine in New Zealand for 14 days before joining their ships and mixing with other crew on them. The increase of costs for quarantine might undermine our efforts in this regard.
- New Zealand's sea freight containerised supply chain system is currently under severe strain from a variety of factors, including an unexpected sharp surge in global consumer demand outstripping available shipping capacity. This has resulted in congestion and delays at ports around the world and in New Zealand, as well as soaring freight rates for our importers/exporters. Shipping lines have cancelled service to some of our ports, and New Zealand exporters have struggled to obtain equipment and ship sailings for their goods. This already strained system will come under more pressure if impediments to crew changes were to further impact to shipping schedules and prices.

Annex 3: Email from BARNZ on 3 March 2021

BARNZ identified the following issues regarding increasing the fee:

Why air crew need to be exempted from the temporary visa MIQ rate increases 25 March

- A number of airlines have negotiated commercial rates directly with MIQ providers
- These are competitive rates, as airline contracts are sought after and hotels will want to retain business post Covid
- Commerical information entrusted to Government
- These rates are also typically locked in with hotel providers for several months in contracts
- Commerical information entrusted to Government
- Airlines have cooperated and been supportive of meeting govt requirements to stay in MIQ facilities and meeting all health requirements pro-actively
- Commerical information entrusted to Government
- Airlines have told BARNZ as soon as direct operating costs are not met aircraft are re-positioned on other routes – they have seen this unfold on other parts of their international network

Why an exemption for international air crew is warranted

- Air crew are unlike any other category of temporary visa holder visiting New Zealand – due to our remote distance airlines have to operate long haul flights and they have no choice but to provide accommodation for crew rest due to aviation safety regulations (this is not the case in Asia / Americas / Europe that have many short and mid-haul connections available)
- These air crew are keeping open strategic transport air links into New Zealand, providing pathways for returning New Zealanders, high-value exports and critical imports
- No other type of visa holders are in a position where they are dependent on MIQ accommodation to operate their business in this way (outside of maritime)
- Airlines rely heavily on being able to commercially negotiate their rates to keep costs down, this requirement will create a monopoly price point which airlines have to accept or stop operating.
- Over 150 aircrew stay in MIQ accommodation each week (on average), utilising 343 nights per week (on average)
- Increasing accommodation costs by over ^{Commerical} will drive airlines to reduce flights, some will stop flying passengers altogether, further harming returning kiwi's options to get home in an already volatile international aviation network

How increasing MIQ charges hurts our air connectivity

- Most passenger flights typically have 15 crew, so the new rate nearly triples accommodation costs ^{Commerical information entrusted to Government}
- To put this in context pre-Covid a global average of only US\$10 per seat was made per international flight - so that is only \$3000 margin on a full flight with 300 passengers)
- In an operating environment where flights routinely carry below 30 passengers, this cost increase will be material in hurting an airline's ability to meet direct operating costs
- Commerical information entrusted to Government
- This is a material cost increase which will impact airline decisions to operate flights
- Commerical information entrusted to Government
- The result of this increase would certainly see airlines cut back flight frequency, and some will be likely to simply elect not to fly passengers any more (only 11 airlines currently fly passengers, down from 30)

	No. air crew per flight	Hotel rate	Accom. cost per flight (one night stay)	Cost increase (per flight)	Cost increase (4 flights per week)
Current MIQ commercial rates	15	Commerical information entrusted to Government		N/A	
Temp visa MIQ rates	15			Commerical information entrusted to Government	

Why increasing MIQ charges to air crew will harm MIQ utilisation

- Airlines will be forced to cancel some existing flights, which will mean returning New Zealanders will not be able to utilise their booked room, driving significant wastage
- Room occupancy efficiency targets will be harmed - fewer flights to NZ will impact the ability of New Zealanders to return home
- In particular, with international schedule volatility driving no shows (Singapore and UK are recent examples), more no shows would occur as travellers have fewer flight options to get them home in the 24-48 period needed to secure a room
- With MIQ contracts with hotels being rolled over for a year, there is a very real risk of material under-occupancy of hotel rooms

Broader context – operating environment

- MIQ cost increases and their impact to airlines cannot be looked at in isolation
- Costs to operate flights to NZ have increased materially for airlines
 - airlines are competing for a passenger market reduced by 98%, fighting for a share of approximately 10,000 passengers per month (down from 600,000)
 - health compliance costs have increased for PCR testing, air crew accommodation requirements etc
 - airline suppliers are increasing per unit costs significantly as they have to recover their costs off a massively reduced demand base
- More cost increases are already on the horizon – passenger separation processes for the Tasman Safe Zone at Auckland airport will drive significant cost increases for international airlines needing more ground-handling and aircraft ground movements

- International relations
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Contradictory to govt policy objectives

Increasing MIQ charges by ^{Commercial info} for air crew is misaligned with at least three current government objectives, as it will further drive airlines to reduce flight schedules or stop operating passenger flights altogether due to costs:

1. Provide pathways for New Zealanders to return home
2. Maintaining international air links
3. Efficient utilisation of MIQ facilities – *airlines will reduce flight schedules and may stop operating passengers due to costs*

Initial Engagement with MBIE and MIQ

Commercial information entrusted to Government