



BRIEFING

Preparatory work to support future strategic choices on MIQ capacity

Date:	18 May 2021	Priority:	Medium
Security classification:		Tracking number:	2021-3102

Action sought		
	Action sought	Deadline
Hon Chris Hipkins Minister for COVID-19 Response Hon Kris Faafoi Minister of Immigration	Note officials are developing options for further immigration border settings changes for increasing traveller volumes to consider alongside future consideration of the MIQ network under QFT Agree to a joint discussion with officials following the provision of further advice in June	25 May 2021

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Ruth Isaac	General Manager, Employment, Skills and Immigration Policy	Privacy of natural persons	
Kara Isaac	General Manager, MIQ Policy		
Privacy of natural persons	Manager, Immigration (Border and Funding) Policy		✓
	Manager, Allocation and Supply, MIQ Policy		✓

The following departments/agencies have been consulted

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 Withdrawn |

Comments



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Purpose

To inform you of work underway to prepare further advice on options to improve utilisation of MIQ, including on immigration border settings which would increase travellers to New Zealand, so these options can be considered alongside future decisions on MIQ capacity under Quarantine Free Travel (QFT) with Australia, following the two-month post-QFT review.

Executive summary

Throughout late 2020 and early 2021 demand for MIQ places exceeded supply, resulting in delays for travellers and requiring Ministers to make trade-offs in prioritising groups for border exceptions.

However there are indications that we are moving towards a period where the supply of MIQ places will exceed demand under the current tight border settings in place, although we expect there will continue to be periods of higher demand (e.g. a possible Christmas/summer surge).

This trend presents Ministers with strategic choices about the future direction of the MIQ system and the next steps at the border, including whether to maintain or reduce total capacity, and whether immigration settings should be broadened as part of the progressive reopening of the border and reconnection of New Zealand to the world.

Work is already underway and continuing on further class exceptions for the balance of 2021 and other smaller scale border exceptions such as for some investor migrants. Cross-agency work has also started on further quarantine-free travel options and the wider border re-opening strategy.

Officials are considering further options to increase travel across our border alongside decisions on the future of the MIQ network, particularly given the government's commitment to continue to expand border exceptions as and when space allows. Even with recent family reunification changes, our assessment is that current border exceptions and measures will not be likely to provide sufficient demand to meet expected available capacity over the remainder of 2021.

Any significant decisions on further border exceptions or exemptions and MIQ capacity are best made following the completion of the two-month post-QFT review and the ventilation review, which will provide a clearer picture of medium-term MIQ capacity and how fit-for-purpose the current portfolio of facilities remains.

There is a case for moving progressively away from highly targeted exceptions and instead making more expansive border exemptions, particularly for those individual/family travellers who are flexible around timing and can queue. An example under discussion with the Minister of Immigration is a bright line salary threshold for critical workers. Such changes would be significantly easier to operate at scale, are easier for travellers to understand, and would reduce inequities between migrant groups compared to tightly defined criteria.

This work is timely given the low demand MIQ is experiencing (and the risk of hotels exiting from MIQ if this continues). The MIQ allocation system is also now well-placed to respond to periods of excess demand, for example by 'ring-fencing' rooms for New Zealanders and 'queuing' non-New Zealanders to use MIQ capacity when it becomes available. MIQ is also working on options to improve demand management within existing settings.

Further advice will be provided in June, with the post-QFT review of the MIQ network provided to the Minister for COVID-19 Response and further advice on possible immigration changes provided to the Minister of Immigration. Officials recommend a joint discussion to consider the outcome of these two pieces of advice and how Ministers wish to proceed, prior to the July meeting of Border Ministers.

Recommended action

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

- a **Note** that if MIQ continues to experience underutilisation, it will present Ministers with strategic choices on how to balance MIQ capacity and immigration settings
Noted ✓
- b **Note** that recent improvements to how MIQ vouchers are allocated, particularly the ability to 'ring-fence' for New Zealanders and effectively 'queue' non-New Zealanders (including prioritising those with a genuinely urgent need to travel), means the MIQ system is better able to manage possible excess demand, removing the need to only consider highly targeted exceptions to border restrictions
Noted ✓
- c **Note** that the ability to queue brings with it the opportunity to make more expansive border exemptions which will be easier for travellers and stakeholders to understand, simpler for officials to operationalise consistently and at scale, and will reduce inequities between migrant groups
Noted ✓
- d **Note** that work is underway on investor border exceptions and further class exception proposals as directed by Ministers, and that further work is beginning on options for expanding border exemptions
Noted ✓
- e **Note** that initial advice will be provided to the Minister of Immigration in June seeking direction on which options he wishes to develop and bring forward for Border Ministers and Cabinet
Noted ✓
- f **Note** that further advice on the medium-term outlook for the MIQ network following the implementation of QFT with Australia (the post-QFT review) will be provided to the Minister for COVID-19 Response in June
Noted ✓
- g **Note** that there is significant cross-over in the implications of decisions on future immigration settings, and on optimal configuration of the MIQ portfolio, under QFT
Noted ✓
- h **Agree** to hold a joint discussion with officials on the future configuration of the MIQ network and related immigration settings, following delivery of these two pieces of advice and ahead of the July meeting of Border Ministers
Agree, Disagree
- i **Note** that to support MIQ utilisation in the short term, MIQ officials will explore options to encourage those with existing border exceptions to travel at times of high availability
Noted

j **Agree** that this briefing not be proactively released as decisions on immigration settings and the MIQ network will be taken later in 2021

Agree / Disagree

Privacy of natural persons

R.

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18 / 5 / 2021



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c **Note** that the ability to queue brings with it the opportunity to make more expansive border exemptions which will be easier for travellers and stakeholders to understand, simpler for officials to operationalise consistently and at scale, and will reduce inequities between migrant groups

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g **Note** that there is significant cross-over in the implications of decisions on future immigration settings, and on optimal configuration of the MIQ portfolio, under QFT

Noted

h **Agree** to hold a joint discussion with officials on the future configuration of the MIQ network and related immigration settings, following delivery of these two pieces of advice and ahead of the July meeting of Border Ministers

Agree / Disagree


Privacy of natural persons

i **Note** that to support MIQ utilisation in the short term, MIQ officials will explore options to encourage those with existing border exceptions to travel at times of high availability

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Context

Historic trends in MIQ utilisation

1. Over late 2020 and early 2021 demand for MIQ places consistently exceeded supply, and from January to March this year there were frequently no rooms available in MIAS.
2. To manage this and balance competing demands for scarce MIQ places, Ministers have been required to make trade-offs between a range of groups who are seeking to enter New Zealand.
3. However, over the second quarter of 2021 a new trend of falling demand has emerged, driven by the start of Quarantine Free Travel (QFT) with Australia, stable immigration flows, and a general reduction in booking demand.
4. If lower demand continues it will likely mean that from mid-2021 Ministers may be presented with a different set of choices about how to best use the MIQ system, including changes to the MIQ portfolio and/or to immigration settings to admit more non-New Zealanders.

Predicted changes in MIQ availability

5. While there is reason to be cautious in the short term while there is considerable instability in MIQ demand (as traveller behaviour settles following the start of QFT) and a number of rooms are offline for maintenance issues, it is probable that the remainder of 2021 will see some periods of excess capacity, most likely during late 2nd quarter and early 4th quarter 2021.

Current MIQ availability

6. Figure 1, below, shows the rooms allocated and expected arrivals as of 10 May 2021. It illustrates the current low occupancy of MIQ, how this is anticipated to track up towards current capacity over the coming weeks,¹ and how the supply issues set out below create a temporary reduction in capacity.

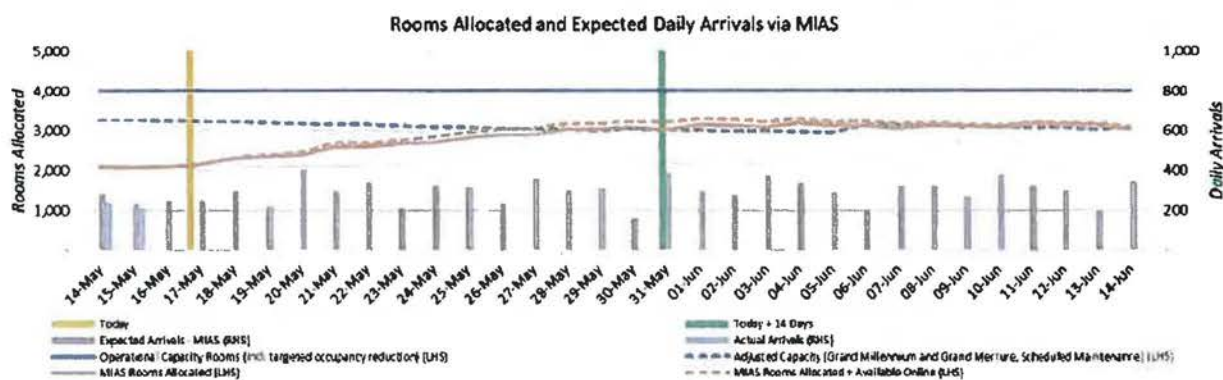


Figure 1: Rooms Allocated and Expected Daily Arrivals via MIAS (Source: MIQ Daily Report 17/05/21)

¹ These allocations include bookings for travellers from very high risk countries that are currently not permitted to travel [briefing 2021-3469 refers].

7. Table 1, below, gives further detail of actual national MIQ occupancy over the beginning of this month.

Date	1 May	2 May	3 May	4 May	5 May	8 May	9 May	11 May
Occupancy	65.2%	63.9%	66.5%	64.1%	64.5%	63.7%	65.3%	62.0%

Table 1: MIQ national occupancy (Source: MIQ Daily Reports 3/5/21 to 13/5/21)

Demand

8. There is a clear trend developing of reducing demand for MIQ places.
9. The commencement of **QFT with Australia** on 19 April is driving a significant fall in demand. This has already seen approximately 5,000 MIQ vouchers cancelled over the current booking period (April to September), either by travellers or by officials (following direction from the Minister for COVID-19 Response [briefing 2021-3193 refers]).
10. More widely, the rate at which MIQ places on MIAS are taken up has significantly slowed, pointing to a **wider drop in demand** for MIQ places even before the start of QFT with Australia.
11. For example, from January to March 2021 there were frequently no rooms available in MIQ, however, as at 8 am 10 May 2021, there were over 3,700 rooms available for the period of May through to September 2021, spread across all months. This follows the release of a further 5,600 rooms for August and September on 5 May.
12. New data on immigration arrivals also indicates **MIQ capacity has been broadly meeting demand from non-New Zealand migrants given current border settings**. As at 28 April 2021 approximately 5,800 non-New Zealanders held MIAS vouchers out of the 7,000 individuals who had been issued a visa to come to New Zealand but were yet to enter the country.
13. The suspension of travel from **very high risk countries**, starting with India on 11 April and since extended to Brazil, Papua New Guinea and Pakistan, is also currently reducing some demand for MIQ places. This includes approximately 600 travellers who were unable to travel from India during April, and a further 1,300 non-New Zealand travellers² from very high risk countries during May [briefing 2021-3469 refers]. While this reduces demand for MIQ rooms during the period of the travel suspension, we anticipate much of this demand will be deferred until after the travel suspension.
14. Cabinet and Border Ministers have made a number of **recent decisions that will create new demand**, covering:
- four new border exceptions for cohorts of families of migrant workers and re-entry for temporary visa holders [CAB-21-MIN-0105 refers]
 - class exceptions for an estimated 1700 people over the remainder of 2021 [briefing 2021-3123 refers]
 - a balanced package of group allocations, utilising space reserved for Group Allocations (including an expanded number of rooms) until October 2021 [briefing 2021-3123 refers], including for new groups of workers in the horticulture, construction, and international education sectors.

² Groups of travellers that do not include a New Zealand citizen.

15. Further advice is also being prepared on additional changes to immigration settings, including to enable a small number of investor migrants (around 220 plus their families) to come to New Zealand, and on further class exceptions, including a proposal for a group of up to 300 Early Childhood Education and secondary school teachers. While there is demand for further class exceptions and group allocations for the last quarter of 2021, large groups with specific timing windows are not a viable way to fill MIQ capacity on an ongoing basis.
16. While currently at very early stages of consideration, further QFT zones with other Pacific countries and/or Singapore would further reduce demand for MIQ spaces if they are agreed later in 2021. The impact on the number of MIQ rooms used would likely be relatively small – arrivals for the week to 3 May totalled 360 people from Singapore,³ 40 from Samoa and 11 from Tonga [Managed Isolation and Quarantine Dashboard 4 May 2021 refers]. It could however reduce or eliminate the need for further MIQ placements for Recognised Seasonal Employer (RSE) horticulture and viticulture workers, for whom the Government has recently allocated around 300 places per month between June 2021 and March 2022.

Supply

17. Officials have recently briefed the Minister for COVID-19 Response on a range of emerging changes to MIQ capacity [briefing 2021-3193 refers].
18. The Minister for COVID-19 Response has directed MIQ to **transition to cohorting arrivals into MIFs**. The practical and operational limitations of only accepting new returnees during a 96 hour window means that cohorting will result in a small, ongoing reduction in total operational capacity across the MIQ network, estimated to be around 10-15% of rooms [aide memoire 2021-3379 refers].
19. The need to temporarily remove from operation the **Grand Mercure and Grand Millennium** hotels in Auckland while further specific assessment of their ventilation systems is underway, has also temporarily removed 599 rooms from MIQ capacity. Work to remediate the Grand Mercure commenced on 3 May and is currently expected to be completed in late May or early June. Detailed assessment results for the Grand Millennium are expected to be received by MBIE imminently.
20. Officials have recently briefed the Minister for COVID-19 Response on **challenges with operating the Wellington MIFs**. Further advice is being prepared on options for the Wellington MIFs (150 rooms total), which will be provided to the Minister for COVID-19 Response shortly.
21. To better manage anticipated higher demand in quarter 3 2021, MIQ is currently **fast-tracking planned maintenance** at MIFs to complete this work by the end of June, temporarily removing a further 200 rooms from availability.

Upcoming strategic decisions

22. If large numbers of MIQ rooms continue to be unused, Ministers will need to make strategic choices about the future direction of the MIQ system and immigration settings, balancing different factors that influence the supply and demand of MIQ rooms, and the benefits of enabling more groups to travel across the border.

³ Given Singapore's role as an international transit hub, including for routes to New Zealand from Europe, it is likely that a large majority of these arrivals are transiting from elsewhere, so would (depending on final QFT settings) still be required to enter MIQ on arrival.

23. Ministers may choose to adjust the supply of MIQ rooms to ensure that total MIQ capacity remains fit-for-purpose under QFT. Setting the “right” level is likely to be influenced by factors such as:
 - a. the need to meet anticipated (and desired) levels of demand
 - b. managing the cost to the taxpayer and the capacity of the border workforce
 - c. the availability of suitable facilities and the impact of an evolving understanding of appropriate public health measures on the capacity of each facility
 - d. the need to maintain sufficient utilisation of MIFs to minimise the risk of hotels choosing to exit the MIQ programme if they are consistently underutilised.
24. Ministers may also choose to alter demand via immigration settings. While border restrictions are a vital part of New Zealand’s health response to COVID-19 and have been overall positive for the New Zealand economy and society, they are imposing considerable social and economic costs across New Zealand society and the Government has therefore committed to progressively opening the borders to wider groups as and when space allows. The post-QFT MIQ environment may present Ministers with the opportunity to make changes to immigration border restrictions to permit a wider range of non-New Zealanders to enter the country.
25. MBIE officials are currently preparing to report back to the Minister for COVID-19 Response on the implementation of QFT with Australia, including further analysis on demand and recommendations on ensuring the MIQ network remains fit for purpose. This report will be provided by 18 June 2021.
26. MBIE officials are also progressing previous work on the review of MIF ventilation systems, with 26 of the 31 sites having provided full or provisional onsite test results and testing either underway or scheduled for the remaining eight. The outcome of these reviews is being progressively reported to Ministers, with on-site testing due to be completed in May.

Border exceptions – approach from here

27. To complement this further advice on MIQ supply options, immigration officials are developing advice on further options to increase the number and expand the range of non-New Zealanders able to enter the country ahead of the wider re-opening of the border.
28. Starting this work now is important due to lag-time between agreeing immigration settings and travellers arriving. There is a time-lag involved in increasing the pool of non-New Zealanders entering New Zealand, and numbers qualifying under criteria-based settings are difficult to forecast. Once new immigration settings are agreed and introduced time is required for travellers to apply for and receive both a border exception and visa, then arrange travel. For those immigrating permanently, the logistics of international migration create a further delay.
29. Starting development of potential immigration options now means initial advice can be presented to the Minister of Immigration for feedback in June, which will put Ministers in a position to make substantive decisions on options presented alongside detailed advice on the MIQ network.
30. In order to manage the risk of demanding exceeding MIQ supply, existing exceptions have been targeted at groups tightly defined by the value, merit or urgency of the particular cohort, and taking into account likely MIQ availability. This has helped to ensure that large numbers of non-New Zealanders did not crowd-out New Zealanders seeking to return home.

31. However, continuing to use tightly-defined criteria in this way creates a number of challenges. This includes:
 - a. subjective assessment criteria are difficult to scale and to apply consistently and efficiently
 - b. narrow exception categories create complicated rules, which are difficult for travellers, businesses and other stakeholders to understand, and
 - c. tight exceptions create points of inconsistent treatment between different groups of travellers in similar situations, depending on whether they meet the exact terms of the test. This is particularly problematic in respect of family reunification.
32. Targeted interventions such as class exceptions will remain a complementary tool for some specific circumstances, for example in managing New Zealand's obligations as the Antarctic Gateway, or allowing a defined group of an otherwise large cohort (such as students) to enter the country.
33. However, the class exceptions process is highly burdensome on Ministers' time to consider applications, and requires Ministers to pick (and refuse) individual groups and sectors for preferential access to MIQ. Using a highly targeted approach to address significant available capacity would be inefficient and may result in rooms continuing to be unused.

Overall, this points towards broader immigration changes, rather than highly targeted exceptions, being a more effective way to adjust border settings, if the volumes they create can be effectively managed. The MIQ allocation system is now well-placed to respond to periods of excess demand that would likely result from such changes to immigration settings. The MIQ system now has:

- a. the ability to "ring fence" rooms available on MIAS for New Zealanders and non-New Zealanders, which ensures New Zealanders are not "crowded out" if large numbers of non-New Zealanders are seeking to travel,⁴ and
 - b. a significantly improved ability to prioritise access for those with a genuine need to urgently secure a room, through both emergency allocations (for urgent travel on short notice) and time-dependent worker allocations (for high priority workers who need certainty during periods of high MIQ demand).
34. Taken together, this allows MIQ to effectively "queue" non-New Zealanders who have been granted a visa to ensure that New Zealanders' retain preferential access to MIQ places.
 35. This approach creates options to expand the category of non-New Zealanders who can come to New Zealand, including:
 - a. Broadening the recent family reunification decisions to include additional groups (e.g. to allow all temporary work visa holders with 12 months or more on their visa to bring family instead of restricting the border exception to skilled migrants that meet the Other Critical Worker salary threshold)
 - b. Enabling anyone offshore with a resident visa (who hasn't yet been to New Zealand) to come to New Zealand
 - c. Expanding access to Other Critical Workers e.g. through a simpler bright-line rule of a job offer that pays at least twice the median wage (\$106,080)

⁴ While significant IT development work has been completed to enable this, officials previously recommended against activating ring-fencing due to falling demand for MIQ places [briefing 2021-2756 refers].

- d. Allow a wider group of people on temporary visas to depart and re-enter New Zealand.
36. An advantage of allowing these types of migrants to enter New Zealand is that they are more likely to be flexible about their entry dates than other arrivals and to wait if they need to (although this flexibility may result in some travellers preferring to wait for quarantine-free options rather than take up border exceptions, depending on the timing of decisions and the evolving international public health outlook). They also do not favour any particular sector of the economy.
37. These proposals will also complement ongoing work towards the Government's immigration reset proposals [briefing 2021-3242 refers] and other work on phasing the re-opening the border. They will focus on admitting groups where significant change is not anticipated through the reset and avoiding areas where the Minister of Immigration is considering further reforms in advance of borders reopening. Still wider options – that would essentially re-open offshore visa categories for processing and entry and remove the need for an initial 'border entry' step altogether – will likely only become available as part of further QFT zones and arrangements or once border restrictions to manage COVID-19 transmission are individualised (eg if vaccine travel passes are deemed sufficient).

Interim steps to support immediate demand

38. To help manage fluctuations in demand while further advice is prepared, MIQ officials will also explore options to encourage those who already have a border exception to travel during periods of high availability. This approach is already reflected in recent public messaging from the Minister for COVID-19 Response following the announcement of further class exceptions on 10 May.

Next steps

39. Further advice will be provided as follows:
- a. to the Minister of Immigration on potential immigration options which could be developed, seeking his feedback on which options he wishes officials to advance;
 - b. to the Minister for COVID-19 Response, providing the outcome of the post-QFT review of the MIQ network.
40. Following these two pieces of advice, officials recommend a joint discussion to consider the likely medium-term configuration of the MIQ network and how this may interact with potential further changes to immigration settings, ahead of the Border Ministers meeting in July.