



## BRIEFING

### Update – MIQ fees collection and debt recovery

<b>Date:</b>	1 April 2021	<b>Priority:</b>	Medium
<b>Security classification:</b>		<b>Tracking number:</b>	2021-2242

Action sought		
	Action sought	Deadline
Hon Chris Hipkins Minister for COVID-19 Response	<p><b>Note</b> the contents of this paper</p> <p><b>Indicate</b> whether you wish to receive further advice on the legislative and operational requirements for apprehending people with unpaid MIQ fees at the border.</p>	9 April 2021

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

The following departments/agencies have been consulted
Inland Revenue

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 Withdrawn           |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

*Please discuss at next Agency meeting*



# BRIEFING

## Update – MIQ fees collection and debt recovery

<b>Date:</b>	1 April 2021	<b>Priority:</b>	Medium
<b>Security classification:</b>		<b>Tracking number:</b>	2021-2242

### Purpose

To update you on the status of MIQ fees collection and debt recovery and inform you of how we are addressing challenges associated with collecting fees.

### Executive summary

When the fees regime was established in August 2020 it was in an 'exempt by default' framework. The rapid implementation presented a range of significant operational challenges. New invoicing, waivers and customer services functions had to be stood up immediately, and a number of issues around information sharing and data quality remain.

As at 21 March 2021, the value of invoices issued was \$50 million. Of that, \$25.6 million (or 51 percent) had been paid, while invoices totalling \$3.9 Million (or 8 percent) were overdue (unpaid by 90 days). As at 25 March 2021, the average time to issue an invoice has been 43 days.

For people who entered MIQ from the start of the fees regime (in August 2020) until the end of February 2021, we have not been able to issue invoices for about 23 percent (14,197) of rooms because we have inadequate information to confirm the liability for fees.

As at 21 March 2021, there were 113 invoices (total of \$366,639) where no payment has been made 180 days from the date of issue. The average value of invoices unpaid at 180 days is \$3,245 (including GST). MBIE has contracted with Credit Consultants to pursue MIQ debt. To date, no invoices have been referred to Credit Consultants but we will begin this process shortly.

Alternative debt collection mechanisms would require changes to the Regulations, and be costly to implement relative to the amounts to be recovered.

There is also currently no legal basis to apprehend people at the border with unpaid MIQ fees, and it is not an offence to not pay an MIQ fee. The average amount owing for invoices that are at least 180 days old (\$3,245) is less than the <sup>(Constitutional.com)</sup> threshold for the Ministry of Justice to pursue overdue fines by stopping people at the border, either on entry or departure. There may also be New Zealand Bill of Rights Act considerations with regard to stopping people at the border, especially if apprehending people is perceived to be disproportionate to the level of outstanding debt.

If you would like further advice on apprehending people at the border with unpaid MIQ fees, we will work with relevant agencies to advise you on the legislative processes, and resourcing required.

### Recommended action

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

- a **Note** that, as at 21 March 2021, the value of invoices issued was \$50 million and of that \$25.6 million (or 51 percent) had been collected, while \$3.9 million (or 8 percent) were overdue;

*Noted*

b **Note** that the average time to issue an invoice for MIQ stays has been 43 days from when the returnee left the MIQ and that delays are due to data quality issues making it difficult to determine liability, pending waiver applications, and delays in processing invoices;

*This is just too long!*

*Noted*

c **Note** that MBIE is addressing delays in invoicing liable persons, with a range of initiatives to address data quality, and by improving its operational systems for fees collection; and that we will report back on progress through the weekly report;

*Please make this a priority.*

*Noted*

d **Note** that MBIE will provide a further briefing to you and the Minister of Finance on the level of debt that cannot be recovered and provide options for your consideration by the end of this financial year;

*Noted*

e **Note** that from August 2020 to February 2021, we have not been able to issue invoices for about 23 percent of rooms because we are currently unable to confirm the liability for fees;

*Why has this not been determined while they were in MIQ?*

*Noted*

f **Note** that, as at 21 March 2021, there were 113 invoices (total value of \$366.639) where no payment has been made 180 days from the date of issue and that the average value of unpaid invoices at 180 days is \$3,245 (incl GST);

*Noted*

g **Note** that there is currently no legal basis to apprehend people with unpaid MIQ fees at the border, and that this would require legislative change, an investment in process and IT systems, and a joint work programme with the Ministry of Justice, Customs, and the Police;

*Noted*

h **Agree** that MIQ provide you with further advice on the legislative and operational requirements for apprehending people at the border with unpaid MIQ fees, as part of the Fees Review advice by the end of April 2021.

Agree  Disagree

Kara Isaac  
General Manager, MIQ Policy  
MBIE

*1, 4, 21*

Hon Chris Hipkins  
Minister for COVID-19 Response

*6, 4, 21*

## Background

1. On 26 February 2021, we provided you with advice on the fees system (briefing 2021-2360 refers). We advised that the level of Managed Isolation and Quarantine (MIQ) fees collected was higher than anticipated when the fees regime was initially set up, but that there is also a substantial level of unpaid fees.
2. When the fees system was established, it was estimated that we would recover approximately \$8 million in MIQ costs by 30 June 2021 (excluding bad debts), but approximately \$12 million in fees (including GST) had been paid (to mid-February 2021). This was from over 8,000 invoices that had been issued (with an approximate value of over \$31 million including GST),
3. In that briefing, we outlined the challenges, notably, that the system to reconcile data remains largely manual, and limited information between agencies sharing reduced our ability to accurately determine who is liable for fees, and issue invoices accordingly. As a result of these challenges, there is a backlog of returnees that have not yet been invoiced.
4. We set out the following actions that we were undertaking to address the issue of unpaid fees and undertook to update you on the outcome of these actions:
  - complete a full reconciliation of the MIQ population data since 11 August 2020
  - validate and verify the volume and amount of all invoices that need to be written off
  - stand up a new invoicing process which uses the Financial Management Information Systems to issue all future invoices
  - centralise the MIQ debt management to the central MBIE finance function.
5. Since our 26 February 2021 advice, we have continued to implement system improvements and now have a better understanding of the volume and value of fees collected and unpaid.

### Seventy-one percent of fees are paid before they are due

6. The COVID-19 Public Health Response (Managed Isolation and Quarantine Charges) Regulations 2020 (the Regulations) provide that invoices must be issued on or after the day a person leaves MIQ, (reg 11) except in the case of critical workers who may be invoiced prior to their arrival [reg 11(1)(a)]. Returnees are issued an invoice for the MIQ stay on or after the day they have left the MIQ and they have up to 90 days to pay the fee due.
7. The table below shows fees collected and overdue, as at 21 March 2021 (include GST).

**Table 1: fees collected and due**

	Value of issued invoices (includes groups and sports teams) \$ Millions	Paid \$ Millions	Overdue	
			90-180 days from date of issue \$ Millions	180 days or more from date of issue \$ Millions
Invoices issued less than 90 days ago	\$36.5 M	\$15.9 M	..	..
Invoices issued more than 90 days ago	\$13.5M	\$9.7 M	\$3.5 M	\$0.4 M
<b>Total</b>	<b>\$50.0 M</b>	<b>\$25.6 M</b>	<b>\$3.5 M</b>	<b>\$0.4 M</b>



8. As at 21 March 2021, the value of invoices issued was \$50 million. Of that, \$25.6 million (or 51 percent) had been collected, while invoices totalling \$3.9 Million (or 8 percent) were overdue. Twenty-nine percent of the value of invoices issued more than 90 days prior were overdue, which means that 71 percent of fees are being paid before they are due.
9. The overdue amounts do not include invoices that are being paid by instalment. Up until 11 March 2021 there had been 205 applications for instalment plans, of which 85 had been approved and the remainder were in the process of assessment and review.

## Determining liability and issuing invoices

10. When the fees regime was established in August 2020 it was in an 'exempt by default' framework. The rapid implementation presented a range of significant operational challenges. New invoicing, waivers and customer services functions had to be stood up immediately, and a number of issues around information sharing and data quality remain.

### There are substantial delays issuing invoices

11. An invoice is issued on a room basis (i.e. one invoice per room in accordance with how many people in that room and their liability).
12. As at 25 March 2021, the average time to issue an invoice for MIQ stays has been 43 days (from when the returnee left the MIQ). As invoices are due 90 days from the date of issue, delays in issuing invoices also mean delays to the due date for invoices, and therefore also delays for the subsequent payment of fees.
13. The table below provides details on the number of rooms yet to be invoiced since August 2020 compared to the number of rooms occupied. It shows a recent upturn in both the time to invoice and the number of rooms yet to be invoiced. This has occurred as a consequence of the transition to a new MBIE invoicing system which is still being bedded in.

**Table 2: invoices issued and yet to be invoiced**

Month of arrival to MIQ*	Average days to issue an invoice	Number of rooms (with liable persons) yet to be invoiced	Number (and %) of rooms with inadequate information to determine liability	Number of Rooms occupied
Aug 10 - Sept 6	25	96	2796 (40%)	7,017
Sept 7 - Oct 4	64	275	890 (12%)	7,481
Oct 5 - Nov 1	56	287	1179 (15%)	8,037
Nov 2 - Dec 6*	45	371	2630 (22%)	11,873
Dec 7 - Jan 3	31	680	2229 (25%)	9,024
Jan 4 - Jan 31	35	1,017	2426 (26%)	9,230
Feb 1 - Feb 28	43	3,408	2047 (23%)	8,988
<b>Total</b>	<b>43</b>	<b>6,134</b>	<b>14,197</b>	<b>61,650</b>

\*The month of arrival is based on the month of the Monday in the week of arrival, hence there are 5 weeks of data in November. All other months cover 4 weeks

14. Delays in issuing invoices are due to a number of factors, notably: data quality issues making it difficult to determine liability, pending waivers, and delays in processing invoices.

### Accurate data from multiple systems is required to determine liability to pay fees

15. To determine whether a person is liable to pay MIQ fees and how much to charge, MBIE MIQ requires accurate details about the following: a person's citizenship, residence and/or visa type, age, and their past, current and future travel dates to and from New Zealand, their room allocation in the MIQ, whether they are sharing a room with a family member(s), and the dates of arrival to and departure from the MIQ. The quality of this data is not consistent.

16. MIQ does not hold all of the information required and we are reliant on the quality of data collected as MIQ systems evolved, at different points in the returnee's journey, and by different agencies. For example, we rely on the Ministry of Health's returnee survey dataset for information about the family groups. We need to reconcile the available data from different sources for which, initially there were no common data standards. This process remains challenging and requires substantial manual processing and review.
17. MBIE and other agencies have undertaken (or are in the process of undertaking) a range of initiatives to improve data quality across the customer journey, and therefore to support invoicing. These are;
  - a) The replacement, earlier in the fees regime, of the Ministry of Health's paper-based returnee health survey form with a digital application, allowed for direct data entry. This has improved the quality of name and contact information available for invoicing and room allocation data.
  - b) The introduction of MBIE's Managed Isolation Allocation System (MIAS) in November 2020 has improved the collection of name and contact information.
  - c) The introduction of a Customer Hub to provide a common view of the client journey will enable easier reconciliation of information across MIQ systems. MIQ has further improvements planned to reduce manual reconciliation and this will include validation of citizenship and visa details using the Department of Internal Affairs' passport and INZ data. We will provide you an update by the end of April 2021.
  - d) Further data sharing between INZ and MIQ will enable MIQ to receive information about a person's travel to New Zealand prior to and after their arrival in New Zealand (this will help us to determine whether they are liable to pay MIQ fees)<sup>1</sup>.
  - e) MIQ is also investigating the use of alternative technologies, such as using QR codes on vouchers, to facilitate tracking returnees through the border to their MIQ facility.
18. MIQ is also currently investigating options to source data on room configurations from other sources, for example, directly from MIQ hotels.
19. A Memorandum of Understanding between MIQ and Immigration New Zealand (INZ) was signed on 22 March 2021. We are now developing a process with INZ to check that people remained in New Zealand for more than 90 days. We will update you on progress by the end of April 2021.
20. MIQ has also recently undertaken a trial match of 2612 MIQ returnee survey records, with INZ data to test how we determine the liability of people who stayed in an MIQ. We were able to match an individual in 99 percent of cases. After the success of this trial, a process to obtain daily information on all arrivals is being instigated from mid-April. This will apply to all new arrivals entering MIQ from 25 March 2021.

### **We are unable to confirm the liability of some returnees for fees.**

21. Early in the fees regime the data available to determine liability presented limitations. For people who entered MIQ from the start of the fees regime (in August 2020) until the end of February 2021 we have not been able to issue invoices for about 23 percent of rooms (14,197 rooms) because we are currently unable to confirm the liability for fees. Table 2 above shows that the highest number of rooms with unissued invoices due to inadequate data was in August 2020 (40 percent of MIQ rooms that month).

---

<sup>1</sup> On 22 March 2021, MBIE MIQ and INZ signed an information sharing agreement whereby they have agreed the basis on which ongoing sharing of data to support administration of MIQ fees will occur.

22. Improvements to how we collect data about returnees should support us to determine the liability of future arrivals for MIQ fees in a more timely way. For past returnees, data matching with INZ will resolve many of the outstanding issues, and will enable us to issue invoices. However there are cases, especially from early in the fees regime, where we may never be able to determine liability for fees or find contact details for issuing an invoice.
23. We will brief you and the Minister of Finance on the debt and options for approval, as part of the Annual Report process, by the end of this financial year.

**Invoices are not issued until pending waivers are resolved.**

24. Returnees may apply for a waiver at any point in their journey, from any time before they apply for a MIAS voucher until they pay their invoice. If a waiver decision is pending at the point when a returnee leaves their MIQ, an invoice will not be issued until after the waiver decision is made. This has contributed to timeframes to issue an invoice, in some cases.
25. As at 21 March 2021, 240 waiver decisions were in progress.

**MBIE is focussing on issuing invoices where liability can be readily determined.**

26. The invoicing functions were transferred from MIQ to the MBIE Finance and Performance team mid-February 2021. This has resulted in new systems for issuing invoices. We expect these to substantially reduce the time to invoice.
27. We rolled out an invoicing system for groups that has been successfully used for invoicing sports groups and groups of critical workers (Recognised Seasonal Employee workers and Russian Fishermen). Invoicing in these circumstances is simplified by dealing with governing bodies or single points of contact, and standard fees for all returnees, with no waivers.
28. As at 21 March 2021, \$13.5 Million had been invoiced using this process, of which 64 percent has been paid and none are in arrears.
29. We are addressing the backlog of invoices by prioritising relatively simple cases. For example, where only one person occupies a room or two people travelling on the same visa type are sharing a room.
30. There is no single solution to improve the timeliness of the invoices. However, we expect that the improvements to data, investments in systems for data sharing and new invoicing processes will reduce the time to issue invoices over the next couple of months.

**Changes to operational and legislative settings could enhance compliance with fees collection**

31. While we are implementing new processes, data and IT solutions to support collection of MIQ fees, the potential impact of changes to regulatory and operational settings on the success of fees collection is difficult to assess.
32. We will be considering potential operation and regulatory settings as part of the Fees Review. For example, reducing the time to pay from 90 days, referring to debt collection agencies sooner, offering more ways to pay (e.g. via credit card or a web portal), and charging options (e.g. per person or by family configuration instead of on a per room basis). We will provide you with advice on this by the end of April 2021

## **Debt Recovery**

---

**MBIE's approach to debt recovery**

33. The terms of payment allow up to 90 days to pay from the invoice date. The decision to give 90 days to pay was based on a concern that the terms should not place a disproportionate

burden on returning New Zealanders. When higher fees were introduced for “other critical workers” from 1 January 2021, the terms were set as 30 days to pay.

34. People with outstanding invoices are sent reminders at 60, 90, 120, 150, and 180 days after they first received their invoice.
35. In situations where MBIE has not been able to make contact with a liable person 180 days after the invoice was issued, we undertake a quality assurance process to ensure that there are no unapplied payments (where no payments are made without reference numbers to allocate against an invoice), pending waivers, or credit notes yet to be processed.
36. As at 21 March 2021, there were 113 invoices (total value of \$366,639) where no payment has been made 180 days from the date of issue. The average value of invoices unpaid at 180 days is \$3,245 (incl. GST).
37. MBIE contracts with “Credit Consultants” for debt recovery. They are able to pursue debt in Australia if required. To date, no invoices have been referred to Credit Consultants as the first overdue invoices only passed the 180 days overdue date at the end of February 2021. We will begin this process shortly.
38. If debt collection is not successful, MBIE has the option of pursuing the debt through the courts, given the average value of the outstanding debts (see para 36 above) this action is unlikely as the costs would outstrip any money recovered.

#### **Alternative debt collection mechanisms would require changes to the Regulations, and be costly to implement relative to the amounts recovered**

39. Alternatives to the standard civil debt collection processes are provided through legislation for some government agencies for specific purposes. Notably:
  - Overdue child support contributions and student loan payments - Inland Revenue is responsible for administering the Child Support Act 1991 and the Student Loan Scheme Act 2011. Liable parent contributions and student loan payments are collected through the tax system. Legislation enables the application of penalties and interest for overdue payments. The collection system places responsibilities on employers to deduct these payments on behalf of the Inland Revenue for liable employees.
  - Recovering overpayments of income support payments - the Ministry of Social Development administers the Social Security Act 2018 provisions that enable deductions from benefits and wages to recover overpayments. Penalties may be imposed in some circumstances, such as fraud.
  - Overpayments - the Accident Compensation Act 2001 provides for recovery of overpayments of weekly compensation by deductions from ongoing payments. The legislation allows for penalties to be applied to debts arising in specific circumstances.
40. Each system addresses long-term, ongoing and large debt recovery programmes, where the costs of implementation can be recouped over a long period. Each requires robust, secure and accurate data systems to operate effectively. The time to establish systems and the cost of implementation are likely to preclude investment in specific MIQ systems.

#### **Recovery of debt from people leaving New Zealand with unpaid MIQ fees**

41. There is currently no legal basis to apprehend people at the border with unpaid MIQ fees as it is not an offence to not pay an MIQ fee.
42. Inland Revenue may have people arrested at the border when they have outstanding liable parent contributions, or unpaid student loans. This is an action of last resort where other



options for debt recovery have been unsuccessful and there is a history of non-compliance. From 2014 to 2020, nine people had been arrested at the border for student loan arrears.

43. Police can intercept people at the border (on entry or departure) for defaulting on fines over Constitutional convention or for reparations, where an arrest warrant has been issued that covers, at least in part, the outstanding fines or reparations. This is on the basis of information provided to Customs by the Ministry of Justice. As at 10 July 2019, there were 4,486 fines defaulters who had interception alerts recorded against their names in Customs records, and 144 people were intercepted in 2018/19.
44. As noted in para 37, the average amount owing for invoices that are at least 180 days old was \$3,245 (incl. GST). None of the invoices that are 180 days old are for amounts greater than the \$5000 threshold applied for fines arrears, and we cannot at this point say whether people with MIQ fees arrears have departed New Zealand.
45. There may also be New Zealand Bill of Rights Act 1990 considerations with regard to stopping people at the border, especially if apprehending people is perceived to be disproportionate to the level of outstanding debt. We have not sought a legal view on this but will do so if you wish to receive further advice.
46. To stop people arriving or departing from New Zealand with unpaid MIQ fees, would require legislative change, an investment in processes and IT systems, and a joint work programme with the Ministry of Justice, Customs, and Police. We would also consult with the Office of the Privacy Commissioner.
47. If you would like further advice, we will engage with these agencies to explore this further as part of the Fees Review by the end of April 2021.

## Next steps

---

48. We will provide you with advice from the Fees Review by the end of April 2021. This will include options to make charging simpler, as well as what legislative and operational changes would be required to enhance compliance with fees collection, and to enable the apprehension of people at the border (if you agree).
49. We will update you through the weekly report on progress on the implementation of initiatives to address data quality, and improvements to operational systems for fees collection.
50. We will provide an update on the number of New Zealanders leaving New Zealand with unpaid or overdue MIQ fees as the work progresses.