



BRIEFING

Longer term options to 'dampen' demand for MIQ spaces

Date:	20 August 2021	Priority:	Medium
Security classification:		Tracking number:	2122-0541

Action sought		
	Action sought	Deadline
Hon Chris Hipkins Minister for COVID-19 Response	Indicate whether you want further advice on any of the longer term options presented to dampen demand for MIQ spaces.	30 August 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	Principal Policy Advisor, MIQ Policy		

The following departments/agencies have been consulted
Department of Prime Minister and Cabinet, Customs

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



BRIEFING

Longer term options to ‘dampen’ demand for MIQ spaces

Date:	20 August 2021	Priority:	Medium
Security classification:		Tracking number:	2122-0541

Purpose

This briefing outlines:

- current work to address MIQ demand; and
- further longer term options to dampen MIQ demand.

Recommended action

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

1. **Note** there is a range of work currently underway and future decisions which will impact on MIQ demand and supply; *Noted*
2. **Indicate** whether you would like further advice on any of the following longer term options that could dampen demand:
 - i) Option 1 – adjust border settings to limit non-essential travel for people currently in New Zealand; Yes/No
 - ii) Option 2 – limit/deprioritise access to MIAS vouchers for those who have left New Zealand for a non-essential reason and/or for those who have used MIQ multiple times Yes/No
 - iii) Option 3 – Adjust MIQ fees, including: Yes/No
 - increasing MIQ fees for people who depart New Zealand and require MIQ on return
 - increasing MIQ fees for those who require MIQ in relation to non-essential travel
 - increasing MIQ fees for repeat users of MIQ.

Proactive release

3. **Agree** that this briefing is not proactively released due to the options being at an early stage of development.

Agree Disagree



Kara Isaac
General Manager
MIQ Policy, MBIE

..20.. / ..08.. / ..2021..



Hon Chris Hipkins
Minister for COVID-19 Response

27 / 8 / 2021

Background

1. You have asked for advice on options to dampen MIQ demand. This briefing outlines work currently underway which may affect MIQ demand and supply and further high level options to dampen MIQ demand.

MIQ demand

2. We have considered options to dampen demand against two time periods: the current high demand period between now and early 2022 and from early 2022 onwards as changes to border settings are introduced.

Current high demand

3. Under current border settings, traveller demand for MIQ has been seasonal, with increased demand around November-January, and lower demand during shoulder seasons. We are now in a period of higher demand, which is expected to peak between November and February.
4. This demand is being driven by New Zealanders wanting to return - currently around 79 percent of MIAS bookings are New Zealanders, mostly from the US and UK.
5. The MIQ system is also currently under significant pressure due to:
 - a. The suspension of the QFT arrangement with Australia and implementing managed return flights from New South Wales (final flight arriving Sunday, 22 August);
 - b. Holding additional rooms in contingency for RSE workers;
 - c. Very high demand from New Zealanders wanting to return home;
 - d. A number of large and complex groups arriving in August and September;
 - e. The need to take some MIQ facilities temporarily offline in the next two to three months to remediate ventilation systems;
 - f. Responding to the current community COVID-19 outbreak and the need to access quarantine and managed isolation space for community cases and symptomatic close contacts; and
 - g. A number of staff currently having to self-isolate due to having connections to either community cases of COVID-19 and/or locations of interest and unable to work.

MIQ demand from early 2022 onwards

6. MIQ demand will change as new border settings are gradually introduced as part of 'Reconnecting New Zealand'. We expect that demand will continue to exceed MIQ supply.
7. From early 2022 onwards we expect there could be:
 - i. Higher volumes of outbound and return travel;
 - ii. Increased number of repeat MIQ users;
 - iii. Restricted/shortened MIQ stays for some travellers; and
 - iv. Higher demand from non-New Zealanders for MIQ, following expected changes to immigration settings.

There is work underway which may impact the MIQ demand and supply relationship

8. There is a range of work currently underway and future decisions which will impact the MIQ demand/supply relationship.

Short-stay MIQ

9. The Ministry of Business, Innovation and Employment (MBIE) is examining the operational implications of various short-stay MIQ options. This includes considering application mechanisms (e.g. how the managed isolation allocation system would be used), use of MIQ facilities (e.g. dedicated short-stay MIQ facilities), impacts on capacity, the MIQ workforce, and the system-wide implications of a mixed MIQ model.

Wider border settings

10. We will provide further joint advice on MIQ demand and capacity in early September 2021 to inform your and the Minister for Immigration's decision on timeframes for the phased commencement of broader border settings [2122-0198 refers].
11. The way in which these broader border settings are phased will significantly impact upon MIQ demand. Once they are introduced, it will likely mean there will be a considerable volume of newly eligible migrants creating an initial surge and sustained increased in MIQ demand.
12. Given the potential MIQ demand implications of 'opening up' these categories, you have asked officials for advice on a possible dedicated MIQ allocation for this groups. Officials will provide this advice in September.
13. We understand Cabinet will also discuss providing a one-off residence pathway for onshore migrant workers at the end of August 2021. Depending on the option chosen, this will affect demand for MIQ. Further information is provided in the Cabinet paper.

Additional MIQ capacity

14. As directed, we are currently engaging with stakeholders and undertaking further suitability assessments of possible additional MIQ facilities in Rotorua and Christchurch [2122-0375 refers]. We will report back on the progress of this work by the end of August 2021.

Ring fencing

15. You recently agreed to activate ring-fencing in MIAS, which will result in New Zealanders having exclusive access to 70 percent of the vouchers, with the remaining 30 percent available to all eligible travellers. Ring-fencing will activated by the end of August 2021 [2021-4418 refers].
16. Activating ring-fencing will help ensure that New Zealanders retain priority access to MIQ rooms during periods of high demand, and future-proof the booking system against unexpected fluctuations in demand. We note that officials will continue to review whether the proportions are suitable.

Group allocations

17. There has been high demand from groups to access vouchers in addition to the group allocation packages previously agreed by Border Ministers. On 11 August 2021, you agreed to not consider out-of-cycle group allocation requests, and to release any unallocated rooms onto MIAS, along with deferring decisions on new border class exceptions until you are comfortable they can be absorbed into MIQ.
18. There continues to be a large number of requests to Government for MIQ group allocations. Future group decisions will continue to have implications for MIQ demand. One option to lower demand for MIQ would be to lower the fortnightly room allocation to groups and to set clear expectation with your Ministerial colleagues that group allocations will remain within this 'cap' that no new MIQ allocations will be established for specific sectors.

There is also work underway to make MIAS fairer, and to prioritise certain incoming travellers

Making MIAS fairer

19. We are developing options to make MIAS fairer, including assessing options for different ways in which MIQ vouchers are applied for and allocated. A fairer booking system for potential returnees could have the benefit of reducing the number of applications being made for MIQ spaces. We will provide this advice to you by 27 August 2021.

Expanding settings of current offline allocation

20. You will also shortly receive advice on high-level options for further prioritising MIQ allocations by broadening the scope of existing manual allocation processes (Time-Sensitive Travel Allocation and Emergency Allocation), along with options to target MIAS vouchers to those that left New Zealand prior to March 2020 and have not returned.

Further options to address demand in the longer term

21. Officials have identified three high-level options where further detailed analysis could be undertaken. Further detailed policy work would be required on all options, including the design of the possible interventions e.g. definition and operational implications of “essential outbound travel”. Wider Ministerial consultation would be required before any final decisions could be made.

22.  Legal professional privilege

23. In addition to the current work described above, we have identified possible options that could dampen demand for MIQ spaces:

- **Option 1:** adjust border settings to limit non-essential travel outside New Zealand for people currently in New Zealand
- **Option 2:** limit/deprioritise access to MIAS vouchers to those who have left New Zealand for a non-essential reason or for those who have used MIQ multiple times; and
- **Option 3:** adjust MIQ fees.

24. **Annex 1** summarises our assessment of the three options.

Option 1 – adjust border settings to limit non-essential travel outside New Zealand for people currently in New Zealand

25. This option closely follows Australia’s approach. Since 25 March 2020, the Australia Government has had border restrictions in place which has limited the ability for its citizens and permanent residents to leave their country.
26. Exemptions exist for a range of travellers such as aircrew and those travelling on Government business. Travellers can also apply for individual exemptions – in cases such as attending the funeral of a close family member, travelling for medical treatment not available in Australia and travelling on business.
27. On 1 August 2021, the ban on outward travel was extended to Australian citizens and permanent residents *ordinarily resident in a country outside of Australia*. Prior to this time, this group of people were automatically exempt from the ban.

28. Further detail on Australia’s approach is provided in **Annex Two**.
29. This option would be a significant change to New Zealand’s border control settings, but would likely have the greatest impact on reducing MIQ demand. Between 12 May and 3 August 2021 314,114 people departed New Zealand. Of these people, 252,453 travelled to Australia. Data does not exist as to the reasons for this travel.
30. Data also shows that people based in New Zealand (shown by their computer IP location) continue to be largest group accessing MIAS – 43 percent of all MIAS hits between 27 July to 2 August 2021. We cannot determine whether this is people in New Zealand booking MIQ to enable them to travel overseas and return, or whether they are acting as ‘third parties’ booking for someone currently overseas.
31. Legal professional privilege
32. A new assessment and decision making process (including IT development), requiring significant new resources, would have to be developed to assess applications for essential outbound travel. Depending on the criteria developed, we would expect significantly higher application numbers for those seeking approval for essential outboard travel.
33. The assessment process would require a lead agency (currently unidentified) and further investigation as to how and when approvals would be given – for example potentially before people arrive at the airport and needing co-ordination with the airline booking process.
34. This option is likely to have a long implementation period given the significant legislative and operational changes required. It should therefore be considered in the context of possible border changes from Government’s ‘Reconnecting ‘New Zealand’ work programme, such as the possibility that New Zealanders who are fully vaccinated are able to either self-isolate or undertake a reduced stay in MIQ.

Option 2 – limit/deprioritise access to MIAS vouchers to those who have left New Zealand for a non-essential reasons and/or for those who have used MIQ multiple times

35. This option would not limit people’s ability to leave New Zealand. However, depending on their reasons for leaving and/or the number of times that have previously used MIQ, their ability to access MIAS vouchers could be limited. This would disincentivise people wanting to leave New Zealand. One possible option to achieve this using ring-fencing is discussed in [Briefing 2122-0550].
36. The below table shows the number of times passengers recorded at the border have arrived in New Zealand between 1 September 2020 and 31 June 2021.

Passengers recorded at border	Number of passengers
One arrival	103,145
Two arrivals	2,060
Three arrivals	160
Four arrivals	14
Five or more arrivals	6
Total	105,385

NB – this data excludes all travellers from Quarantine Free Travel and passengers exempt from MIQ.

37. Within this option different approaches to dampen demand could be used. For example:
- a) Returnees who have used MIQ a specified number of times cannot access future MIQ vouchers or only have access to a small allocation; and/or
 - b) All users of MIQ would need to prove that their travel need is essential.
38. This option provides a more targeted approach, however the number of repeat MIQ users at this time is relatively small. However, this option could future proof against an increase in New Zealanders wishing to undertake travel in the future. This may occur as a greater proportion of the population is vaccinated and people have increased confidence to travel.
39. Legal professional privilege. Again, a new assessment and decision making process would be required if people had to prove their travel need is essential.

Option 3 – Adjust MIQ fees

40. The third possible lever is using MIQ fees. The core objective of the MIQ fees framework is to ensure the provision of MIQ services are more financially sustainable. Its secondary objective is to lower demand for MIQ services for short-term travel.
41. The fees framework could be widened to lower demand for those travelling for non-essential reasons and/or for repeat MIQ users as a core objective. Possible changes to MIQ fees to dampen demand include:
- increasing MIQ fees for people who depart New Zealand and require MIQ on return
 - increasing MIQ fees for those who require MIQ in relation to non-essential travel
 - increasing MIQ fees for repeat users of MIQ.
42. The current MIQ charges for MIQ users are set well below the actual costs of providing MIQ service. This means there is scope to increase MIQ charges for New Zealanders and for temporary class visa holders beyond the current rates while still not over-recovering actual and reasonable costs
43. We are currently progressing the MIQ fees review. Decisions from this fees review will go to the Social Wellbeing Committee on 25 August 2021, and to Cabinet on 30 August 2021. There would not be enough time to progress any substantial changes to the fees framework before this time, and any further changes would require a different set of decisions.
44. If you want officials to further develop the fee option, we recommend that this be explored during the next fees review. This would allow it to be considered in the context of future changes from 'Reconnecting New Zealand'. We would provide you with advice in October on this next review, with any changes coming into effect by early 2022.

Communication of Reconnecting New Zealand

45. With the recent Government announcement on the plan for Reconnecting New Zealand, an all of Government focus on ensuring this plan is communicated as widely and effectively as possible could provide people more certainty about when travel might open up. This could dampen demand in the short term.
46. MIQ will continue to work with DPMC on providing support to communicate Reconnecting New Zealand.

Next steps

47. We seek your direction as to whether you want officials to undertake a detailed analysis and provide you with further advice on any of the three options presented in this briefing. Further advice would be provided to you by end of September 2021.

Annexes

Annex One: Summary of Options

Annex Two: Australia's border setting changes

Annex One: Summary of options

<i>Option</i>	<i>High-level description / possible levers</i>	<i>Potential impact on MIQ demand</i>	<i>Impact on returnees/community acceptance</i>	<i>Risk / legal considerations</i>	<i>Operational implications</i>
1) Adjust border settings to limit non-essential travel for people currently in New Zealand	<p>Border settings would limit the ability for people to leave the country.</p> <p>The definition of essential travel will determine the scale of impact</p>	<p>If a tight definition of essential travel is used, impact on demand could be high.</p>	<p>Those returnees eligible for MIQ space would need to follow an application process.</p> <p>Could be large scale lack of support as people may not be able to leave the country as they wish.</p>	<p>Legal professional privilege</p> <p>[REDACTED]</p> <p>This change would require legislative amendments.</p>	<p>An appropriate agency would need to stand up an assessment process to approve 'essential' outbound travel.</p> <p>Will require significant additional resourcing to establish and operate.</p> <p>Longest lead in time to operationalise of all the options.</p>
2) Limit/deprioritise access to MIAS vouchers to those who have left New Zealand for a non-essential reason and/or for those who have used MIQ multiple times	<p><i>Use of MIQ system to dampen demand.</i></p> <p><i>The definition of essential travel will determine the scale of impact</i></p>	<p>At this time, the impact of limiting multiple MIQ users would be small.</p> <p>The impact of restricting vouchers for non-essential travel will be larger.</p>	<p>Would change the profile of returnees, with less multiple users and more of those entering New Zealand for the first time.</p>	<p>Legal professional privilege</p> <p>[REDACTED]</p>	<p>Require MBIE to stand up an assessment process to determine non/essential travel – likely to be very resource intensive.</p>
3) Adjust MIQ fees	<ul style="list-style-type: none"> <i>increasing MIQ fees for people who depart New Zealand and</i> 	<p>Medium to high potential impact – depending on the levels of fees introduced and</p>	<p>Any changes to fees could be controversial.</p>	<p>Legal professional privilege</p> <p>[REDACTED]</p>	<p>Changes to MIQ fees will require new operational processes</p>

	<p><i>require MIQ on return</i></p> <ul style="list-style-type: none"> • <i>increasing MIQ fees for those who require MIQ in relation to non-essential travel</i> • <i>increasing MIQ fees for repeat users of MIQ.</i> 	<p>returnee's response to fee changes.</p>	<p>Impact will depend on the level of fees introduced. Further analysis would need to be undertaken about the potential impact on the returnees within each option.</p>	<p>Legal professional privilege ██████████ ██████████████████ ██████████</p>	<p>and potentially additional resourcing.</p>
--	---	--	---	---	---

Annex Two: Australia's border setting changes

Initial border change – March 2020

1. On 25 March 2020, the Australian Government introduced a ban on outward travel out of Australia, which applies to citizens and permanent residents.
2. The following travellers are exempt from this ban, and do not have to apply for an individual exemption:
 - a. members of the crew of an aircraft or vessel, or a worker associated with the safety or maintenance of an aircraft or vessel
 - b. New Zealand citizens holding a Special Category (subclass 444) visa, even if they are usually resident in Australia
 - c. engaged in the day-to-day conduct of inbound and outbound freight
 - d. travelling in association with essential work at an offshore facility in Australian waters
 - e. travelling on official Government business (including members of the Australian Defence Force and any Australian government official travelling on a diplomatic or official passport)
 - f. individuals who are travelling directly to New Zealand and who were only in Australia or New Zealand for the 14 days immediately before the travel date.
3. The following travellers must apply for an individual exemption if they wish to leave Australia:
 - a. is attending the funeral of a close family member (parent, sibling, partner, child or grandparent) regardless of length of intended travel
 - b. is travelling due to critical or serious illness of a close family member (parent, sibling, partner, child or grandparent) regardless of length of intended travel
 - c. is travelling for necessary medical treatment not available in Australia
 - d. needs to pick up a minor child (adoption, surrogacy, court order etc.) and return to Australia with that child
 - e. intends to complete an existing work contract – for example fly-in-fly-out (FIFO) workers and individuals with a work contract
 - f. is travelling to an Australian territory which is outside the migration zone
 - g. other compelling reason for travel where travel is for less than three months
 - h. is travelling on business, regardless of length of intended travel
 - i. has had a previous request approved and the reasons for travel have not changed
 - j. travel is in the national interest
 - k. travel is in response to the COVID-19 outbreak, including the provision of aid

Subsequent border change – August 2021

4. On 1 August 2021, the ban on outward travel was extended to Australian citizens and permanent residents ordinarily resident in a country outside of Australia. Prior to this, this group of people were automatically exempt from the ban.