



BRIEFING

MBIE's approach to MIQ invoicing and debt collection

Date:	22 September 2022	Priority:	Medium
Security classification:		Tracking number:	2223-0794

Action sought		
	Action sought	Deadline
Hon Dr Ayesha Verrall Minister for COVID-19 Response	Note this briefing provides an update on MBIE's approach to MIQ fees invoicing.	30 September 2022
Hon Grant Robertson Minister of Finance	Agree that MBIE not progress further work to determine fee liability for unmatched records between 11 August 2020 and 24 March 2021, forgoing an estimated Crown revenue of \$35,000.	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Privacy of natural persons	General Manager, Managed Isolation and Quarantine	Privacy of natural persons	✓
Privacy of natural persons	Senior Policy Advisor, MIQ Policy		

The following departments/agencies have been consulted
The Treasury

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 Withdrawn |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



BRIEFING

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Purpose

To update you on the Ministry of Business, Innovation and Employment's (MBIE) approach to invoicing for Managed Isolation and Quarantine (MIQ) fees, and seek your approval for MBIE to not progress work on matching data for records before March 2021.

Recommended action

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

a **Note** the MIQ fees regime was established in August 2020 and relied on a complex, manual system to establish legal liability for MIQ fees

Noted

b **Note** as of 18 September 2022, MBIE had issued 55,900 invoices (net of credit notes) totalling \$214 million, and that 86 percent of these invoices had been paid

Noted

c **Note** 7,896 of issued invoices with a value totalling \$18 million are overdue (representing 14.13 percent of invoices issued), and that 6,465 of these invoices are over 90 days overdue

Noted

d **Note** the IT systems to determine appropriate fee liability evolved over time resulting in two distinct periods of data quality from 11 August 2020 to 24 March 2021 (period one) and 25 March 2021 to 28 February 2022 (period two)

Noted

e **Note** MBIE started data matching for period two first and the completed data matching was able to establish liability for only an additional 0.23 percent of the records, with the remainder being already paid or found not to be liable

Noted

f **Note** MBIE recommends not proceeding with matching and invoicing data for period one, as matching data from this period would be difficult and it estimates that only up to \$35,000 in liable fees could be invoiced

Noted

g **Agree** to forgo an estimated Crown revenue of up to \$35,000 due to the costs (estimated at \$500,000) heavily outweighing the benefits of progressing further data matching for remaining **period one** records, i.e. no invoices would be issued and no Crown revenue would be recognised

Minister of Finance

Minister for COVID-19 Response

Agree / Disagree / Discuss

Agree / Disagree / Discuss

h **Note** that a decision not to match the records for period one will not impact on MBIE's approach for collecting outstanding debt from overdue invoices

Noted

i **Note** that the impact of the forgone revenue in recommendation g will be met within the existing Isolation and Quarantine Management multi-category appropriation

Noted

j **Agree** this briefing be proactively released with appropriate withholdings under the Official Information Act 1982.

Agree / Disagree


Shayne Gray
General Manager
MIQ, MBIE

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Hon Dr Ayesha Verrall
Minister for COVID-19 Response

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Hon Grant Robertson
Minister of Finance

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Background

1. Following the decommissioning of the MIQ network, MBIE has continued to process the backlog of MIQ fee invoices. This includes the continued collection of outstanding fee debts with Commercial Information and Commercial Information
2. MBIE's approach to debt write-off is based on likelihood of recovery rather than the 'age of debt' approach [BR 2122-4436 refers]. Write-offs are recommended when the review of the record shows that there is a history of unsuccessful action undertaken and there is no further action possible or recommended.
3. In June 2022, you both agreed to write off \$10.6 million in MIQ fees debt for 2021/22 as Crown debt [BR 2122-4881 refers]. This consisted of MIQ fees debt that MBIE and Commercial Information Commercial Information and Commercial Information deemed to have a very low likelihood of recovery.

Data quality improvements created distinct invoicing periods

4. The MIQ invoicing process is complex and relies on a manual system that was never intended as a long-term solution. This complexity stems from various inputs determining liability (e.g. date of departing New Zealand, room configuration, and visa status) and the number of amendments to the fees regulations over time. This has led to significant backlogs in terms of reconciling data, issuing invoices, and processing waiver applications and confirming liability for MIQ fees.
5. Various improvements to data collection systems that inform liability have created differing periods of data quality. Data quality improved with each new source. From August 2020 (when the fees regime was introduced) until November 2020, Ministry of Health National Contract Tracing Solution (NCTS) data was used to determine fee liability. From November 2020 onwards, Managed Isolation Allocation System (MIAS) data for travellers was introduced. Access to Immigration New Zealand (INZ) data was secured in March 2021.
6. An automated system to match the data inputs was launched on 31 May 2021. The process of matching data involves a four-way matching between INZ arrival data, MIAS, NCTS and critical waiver datasets. If a match is not found the record is classed as unmatched. If the data has been matched across all four inputs, then MBIE applies the eligibility criteria over the records to identify whether an individual is liable for MIQ fees. If so, an invoice is generated.
7. MBIE has found that invoiced individuals arriving in New Zealand when appropriate and the data-matching and invoicing process introduced in May 2021 was effective. For the unmatched records after manual verification, MBIE can confirm that for the majority they had either already been invoiced as part of aircrew or maritime billing or should not have received an invoice (e.g. travelling under the Cook Islands Quarantine Free Travel arrangement or under the Self-Isolation Pilot).
8. Both the automated system and access to more data sets resulted in two distinct periods of data quality and two groups of unmatched records:
 - 11 August 2020 to 24 March 2021 (**period one**) – 4,835 records
 - 25 March 2021 to 28 February 2022 (**period two**) – 6,697 records

Due to data quality limitations, MBIE does not recommend pursuing work on data matching for period one

9. As period two had a higher quality of data, MBIE commenced and completed work on manually matching the 6,697 unmatched records after 25 March 2021. Of these 6,697 records, potential liability could only be established for 49 records. After a fortnight of further investigation, this figure dropped to 16 records (0.23 percent). The other 33 records were

found not to be liable or to have already paid under consolidated invoicing (usually aircrew or maritime arrivals).

10. The 4,835 records from period one have poor quality MIAS and NCTS data, which results in large gaps of information. It would be extremely challenging for MBIE to determine liability and identify these individuals. The cost of progressing this work is estimated to be \$500,000. Using the 0.23 percent liability rating from period two, it is likely that only 11 of the 4,835 unmatched records would be liable, generating an invoicing revenue of approximately \$35,000.
11. Given the factors of poor-quality data for matching, the cost involved to match and the very low liability percent of records in period two, MBIE does not recommend progressing work on matching data and invoicing for period one. Additionally, any new invoicing would likely cause a flow on effect of additional waiver applications and potential complaints which MBIE would have to ensure it had sufficient resources available to process and assess.
12. If you both agree that MBIE should not progress the work on the unmatched records, this will not impact on MBIE's approach for collecting outstanding debt. Where invoices are overdue, we will continue to pursue this debt with Commercial Information and Commercial Information.
13. Forgoing the recognition of the revenue and the collection of \$35,000 in revenue will be met within the impairment of debt category of the existing MIQ Multi-Category Appropriation (MCA).
14. There is an element of reputational risk associated with writing off debt for unmatched records during period one. However, on balance, MBIE considers that the work required to identify such a small group of people is not cost-effective and is expected to have low levels of success. The reputational risk of pursuing historic debt so long after MIQ services were provided also needs to be considered.
15. Some records (706) have already been removed from the records in periods one and two due to the high unlikelihood of them resulting in additional payments. These include children who may already have been invoiced on other invoices (426) and those who stayed for shorter periods where liability would be minimal (250). There are also no valid email addresses on file for 118 of these records. Due to the high unlikelihood of establishing contact and subsequent payment, MBIE is not pursuing work to determine liability of this group.

Overall approach to debt and write-offs

16. A total of 55,900 invoices have been issued (net credit notes), worth a total \$214 million and 86 percent have been paid. Since 1 July 2022, we have currently collected \$7.7 million and have generated an additional \$3.9 million of credits being processed as part of the waivers and liability assessment work.
17. Of these 55,900 invoices, 7896 are overdue (representing 14.13 percent of invoices issued) with a value of \$18 million. 6465 of these overdue invoices are over 90 days overdue.
18. In June 2022, you both agreed to write off \$10.5 million of 2021/22 debt deemed as very unlikely to be recovered from debt collection as Crown debt [BR 2122-4881 refers]. MBIE actioned this on the 4 July 2022.
19. MBIE has provision for doubtful debts from both 2020/21 and 2021/22 financial years that we consider is sufficient to cover any remaining outstanding debts that we are unlikely to recover.

20. MBIE will continue to work with Commercial Information and Commercial Information to review debt where collection is considered to be unlikely. MBIE's intention is to write off any remaining debt by the end of this financial year (30 June 2023). A separate decision from you to write-off this debt will be sought closer to this time.

Next steps

21. With your agreement, MBIE will not progress further work on matching records for period one (between 25 March 2021 and 28 February 2022). MBIE will provide you with further advice on the MIQ appropriation through the October Baseline Update process.