Regulatory Impact Statement: COVID-19 ORDERS: INCREASED PENALTIES FOR NON-COMPLIANCE

Coversheet

Purpose of Document			
Decision sought:	This analysis supports Cabinet decisions to amend section 26 of the COVID-19 Public Health Response Act 2020, to increase the penalties for offences specified as infringement offences in COVID-19 Orders.		
Advising agencies:	DPMC, Ministry of Health, Ministry of Justice		
Proposing Ministers:	Minister for COVID-19 Response		
Date finalised:	06/09/2021		

Problem Definition

In light of the recent number of breaches of COVID-19 Orders, and the level of risk posed by the Delta variant, there is a concern that the current penalties for non-compliance with COVID-19 Orders are an insufficient deterrent. This regulatory impact statement provides analysis on a proposed increase to the maximum infringement offence penalties, further to what is already proposed in the draft COVID-19 Public Health Amendment Bill, to deter and address non-compliance with COVID-19 Orders.

Executive Summary

Given the social and economic impacts a single case of COVID-19 in the community could cause, and the subsequent strain that is placed on the health system, the Minister for COVID-19 Response (the Minister) has proposed a further increase in infringement penalties under the COVID-19 Public Health Response Act 2020 (the Act).

Overview of the COVID-19 Public Health Response Amendment Bill

A COVID-19 Public Health Response Amendment Bill (the Bill) has been prepared to implement Government policy to make amendments to the COVID-19 Public Health Response Act 2020 (the Act) to better support the Government's response to the COVID-19 pandemic and to continue delivery of the COVID-19 Elimination Strategy. The Bill is currently ready for approval for introduction by the Cabinet Social Wellbeing Committee (SWC).

The Bill gives effect to decisions already made by SWC on 12 May 2021 [SWC-21-MIN-0067 refers] and confirmed by Cabinet on 17 May 2021 [CAB-21-MIN-0167 refers], which:

- (1)extend the term of the Act:
- (2)strengthen the enforcement provisions;
- (3)broaden and strengthen the provisions that empower the COVID-19 Orders; and

(4)introduce specific legislative provisions for the operation of MIQ.

A regulatory impact statement was completed for the Bill.

The Bill also gives effect to a Cabinet decision on 12 July 2021 to extend the power to stop vehicles at roadblocks or checkpoints, beyond New Zealand Police constables, to enforcement officers under Police supervision [SWC-21-MIN-0100.01 and CAB-21-MIN-0274 refers].

The Bill proposes to increase the maximum penalties for non-compliance with COVID-19 Order

The Bill as originally drafted, includes proposed increases to the maximum penalties for non-compliance with COVID-19 Orders. On 21 May 2021, SWC agreed to initial increases to these penalties to strengthen the enforcement provisions in the Act [SWC-21-MIN-0067 refers], including:

- a) increasing the infringement fee to \$1,000 (currently \$300) and court imposed fine to \$3,000 (currently \$1,000) for individuals
- b) introducing an infringement fee of \$3,000 and fine of \$9,000 for body corporates;
- c) increasing the maximum criminal fine to \$5,000 for individuals (currently \$4,000); and
- d) introducing a criminal fine of \$15,000 for body corporates.

The Bill also empowers new regulations to set out an appropriate infringement fee framework to allow for graduated penalties. This framework will prescribe infringement classes and corresponding penalty fees and fines commensurate to the offence.

Following several breaches of QFT conditions, the Minister sought advice on options to increase these maximum penalties further. Following these Cabinet decisions, a number of breaches of Quarantine-Free Travel (QFT) conditions by travellers returning from Australia prompted the Minister to seek advice about the infringement regime for noncompliance with QFT conditions. Specifically, whether the maximum penalties for noncompliance with COVID-19 Orders (including with the COVID-19 Public Health Response (Air Border) Order (No 2) 2020) (the Air Border Order) could be increased beyond what is proposed in the Bill, to better deter and address non-compliance with QFT conditions [DPMC 2020/21-1265 refers]. Although the Minister's interest was in relation to penalties for non-compliance with QFT conditions, any further increase would affect the generic penalties regime under the Act for any Orders made pursuant to it, including Alert Level Requirement Orders.

QFT requirements are in place to mitigate the public health risk associated with QFT, including use of face coverings and providing evidence or answering questions about eligibility for QFT. A breach of these conditions could include, for example, arriving in New Zealand without the required evidence of a pre-departure test or failing to declare being in a named location of interested in the QFT partner country prior to departure. A consequence of such non-compliance could result in cases of COVID-19 entering New Zealand that could otherwise have been prevented. In a non-QFT context, noncompliance, e.g. not staying at home as requires at Alert Level 4, could result in further community transmission.

The following options were considered to increase the maximum penalties beyond what is currently proposed in the Bill:

- a) 25% higher than the level in the Bill: an infringement fee of \$1,250 and court imposed fine of \$3,750;
- b) 50% higher than the level in the Bill: an infringement fee of \$1,500 and court imposed fine of \$4,500; or
- c) 100% higher than the level in the Bill: an infringement fee of \$2,000 and court imposed fine of \$6,000.

Any proposed increase in penalties will have equity, proportionality and consistency implications. Of the above options, officials consider option (a) is most proportionate and equitable.

The Minister has requested a significant further increase to the maximum penalties

Given the social and economic impacts of a single case of COVID-19 in the community. and the subsequent strain that is placed on the health system, the Minister is recommending to SWC that the maximum penalties for non-compliance with QFT conditions should be increased further to reflect the risk to New Zealand.

Amendments to the draft Bill are proposed to further increase the maximum penalties for non-compliance with COVID-19 Orders including increasing:

- a) the infringement fee for an individual to \$4,000 (currently \$300 in the Act, with the Bill currently proposing it is increased to \$1,000); and
- b) the court-imposed infringement fine for an individual to \$12,000 (currently \$1,000 in the Act, with the Bill currently proposing it is increased to \$3,000)

It is anticipated that higher penalties will send a clear message to people who breach a COVID-19 Order and put the community in danger of transmission of COVID-19, that this behaviour will not be tolerated. While the impetus for the proposal was to deter and address non-compliance with QFT conditions, the higher infringement penalties proposed would apply to all offences specified as infringement offences in a COVID-19 Order. Current examples of such offences include not wearing a face covering when required to, or a person in control of a workplace failing to display a QR code.

A person who intentionally fails to comply with a COVID-19 order will continue to liable on conviction for criminal penalties outlined in the Act, currently including a fine of \$4,000 and term of imprisonment not exceeding six months.

The Minister's decision to propose an increase in penalties beyond what is set out in the draft Bill was not the preferred option recommended by the Department of the Prime Minister and Cabinet (DPMC) in the advice provided to the Minister on 11 August 2021 [DPMC-2021/22-83 refers].

Limitations and Constraints on Analysis

No public consultation on the proposed amendment was undertaken as there were major constraints in timing during the advice/drafting process. However, consultation on the briefing was undertaken with relevant agencies. Their preference was that the penalties should not be increased beyond what was proposed in the Bill.

Agencies were not consulted on the proposed option to increase the infringement fee to \$4,000 and court imposed fine to \$12,000 because this option was not provided within the original advice.

There will be an opportunity for public consultation on the amendment during Select Committee consideration of the Amendment Bill.

Responsible Manager (completed by relevant manager)

Ruth Fairhall Head of Strategy and Policy COVID-19 Group **DPMC**

Quality Assurance (completed by QA panel)

Reviewing Agencies: Ministry of Health, Ministry of Justice, DPMC (Policy Project)

Panel Assessment & Comment:

The Quality Assurance Panel considers that the information and analysis summarised in Regulatory Impact Statement: COVID 19 Orders: Increased penalties for non-compliance partially meets the quality assurance criteria for Regulatory Impact Statements.

The proposal seeks to significantly increase the infringement penalties already agreed by Cabinet, that are set out in the COVID-19 Public Health Response Amendment Bill.

The Regulatory Impact Statement is clear and concise and well written. It also provides a good account of the policy problem and the rationale for intervention. It clearly articulates the public health risks and economic impacts that increased fines for breaches of COVID-19 Orders are trying to address – in particular for Quarantine Free Travel breaches. The Regulatory Impact Statement provides sufficient information to make it complete.

The panel, however, considers the Regulatory Impact Statement does not meet the quality assurance criteria for convincing and consultation. The arguments presented for the preferred option to significantly increase infringement fines – are not supported by the assessment of costs and benefits and the evidence provided in the Regulatory Impact Statement. The panel notes, in particular, that the Regulatory Impact Statement states that it is difficult to anticipate how much of a deterrent effect increased penalties will have, before the increases come into force. It further notes that significant increases in penalties will have equity, proportionality and consistency implications.

While the Regulatory Statement is clear that there has been no public consultation, the panel notes that the statement indicates that there will be an opportunity for public input during select committee deliberations on the Bill.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

The purpose of the Act's infringement regime is to ensure New Zealanders comply with the requirements set out in the Act and any Orders made under it to help New Zealand respond to the COVID-19 pandemic. Therefore, the infringement regime empowered by the Act needs to provide an appropriate deterrent effect for breaches of Orders.

Most people and businesses are compliant and try to meet their obligations. However, voluntary compliance is enhanced when there are clear legal powers underpinning these. including the ability to deal with serious or persistent non-compliance.

In the COVID-19 response to date infringements have only been used when education and encouragement options have failed. They provide an important and clear first level of enforcement action before escalation to court proceedings.

What is the policy problem or opportunity?

A weak offence and penalty regime could undermine New Zealand's response and potentially risks failure of the COVID-19 Elimination Strategy, particularly in relation to noncompliance with MIQ and QFT conditions.

QFT conditions are in place to mitigate the public health risk associated QFT, including use of face coverings and providing evidence or answering questions about eligibility for QFT. A breach of these conditions could include, for example, arriving in New Zealand without the required evidence of a pre-departure test or failing to declare being in a named location of interested in the QFT partner country prior to departure.

Small indiscretions can result in serious harm to New Zealand, particularly considering the social and economic impacts of a single case of COVID-19 in the community, and subsequent strain on the health system. By way of example, since the first positive result in New Zealand's current community outbreak of COVID-19 was detected on 17 August 2021, case numbers have grown to a total of 782 cases as at 9am on 4 September 2021. It appears implementing Alert Level 4 restrictions quickly reduced transmission, but these restrictions come at a cost. Treasury reports that for every week the country spends at Alert Level 4, there is a \$1,520 million reduction in economic activity (25.4% of national GDP).

The current approach to compliance with COVID-19 Orders and requirements within them (including the Air Border Order, which sets out QFT conditions) is to educate and support individuals to meet the requirements, rather than punish them for not complying.

So far, this approach is largely working. However, there are concerns that the disparity between the serious nature of breaches and the available fee (currently \$300) does not deter more serious breaches as effectively as it could. For example, an individual bringing an apple into New Zealand through the air border in breach of biosecurity legislation may be subject to an infringement fee of \$400. Yet if they breach the pre-departure testing requirement and risk bringing COVID-19 into the country, that fee is only \$300. There is a perception is that the size of the penalty does not reflect the seriousness of the risks related to non-compliance of the COVID Act, which is effectively a community outbreak of COVID-19 in New Zealand.

In the early stages of the current outbreak of COVID-19 in New South Wales (NSW), QFT with NSW was paused and additional QFT requirements were implemented for travel from other Australian states. In the week ending 20 July 2021, there were 105 instances of people arriving in New Zealand in breach of QFT conditions requiring those people to enter a managed isolation facility. This figure will not capture all non-compliance at the border - only

those that were identified as not complying. This high level of breaches suggests the current penalties for non-compliance with COVID-19 Orders are an insufficient deterrent.

Implications of increasing infringement fees

We know that infringement fees have a greater impact on lower socio-economic groups, and that financial penalties are inherently inequitable given they have a proportionately larger impact on lower socio-economic households.

In order to address this inequity, the Bill empowers new regulations to set out an appropriate infringement fee framework to allow for graduated penalties. This framework will prescribe infringement classes and corresponding penalty fees and fines commensurate to the offence, up to the maximums specified in the Act. A person who is identified as intentionally failing to comply with COVID-19 order will continue to be able to be pursued for prosecution and the criminal penalties available in the Act will apply upon conviction.

The fact that the Act is time limited and is currently due to expire in May 2022 (the Bill proposes to extend the maximum term of the Act to May 2023) further mitigates proportionality and equity concerns associated with increasing the maximum penalties in the Act. The penalties are finite.



Any amendment will affect a small number of people who commitan offence by not complying with legislative requirements. Between 19 August and 1 September 2021, New Zealand Police have issued 2,707 infringements for breaches of COVID-19 Orders, the majority for people breaching stay-at-home requirements in an Alert Level 4 area. The number of infringements issued over this time period is likely much higher than would be the case when the country was at Alert Level 1, when there are fewer Alert Level restrictions and less intensive compliance monitoring in place.

What objectives are sought in relation to the policy problem?

The objective of the infringement regime (and this proposed increase in penalties) is to ensure compliance with the requirements set out in Covid-19 Orders to help New Zealand respond to the COVID-19 pandemic.

The infringement regime should provide a meaningful disincentive for non-compliant behaviours, reflecting New Zealand's national interest and public health imperatives. It should also provide for ongoing flexibility of the regime.

¹ Police are unable to provide a demographic breakdown of these infringements (e.g. age, sex, ethnicity and income).

Section 2: Deciding upon an option to address the policy problem

What criteria will be used to compare options to the status quo?

The proposed options to increase maximum penalties are considered alongside criteria for effectiveness, equity, proportionality and consistency.

- a. Effectiveness: How well will the proposed infringement fee deter and address noncompliance.
- b. Equity: infringement fees have a proportionately larger impact on lower socioeconomic households.
- c. Proportionality: further increasing the maximum infringement offence penalties would conflict with the Legislation Design and Advisory Committee's guidance on creating infringement offences, which provides that, in general, infringement fees should not exceed \$1,000, and if they do exceed \$1,000, it is preferable that the amount is fixed in primary legislation.² This notion is reiterated in the guidance issued by the Ministry of Justice for new infringement schemes.³ Responding to more severe misconduct is more appropriately done through the courts.
- d. Consistency: while New Zealand law contains a number of infringement provisions that impose penalties in excess of \$1,000, these are typically used to address financial incentives for non-compliance.

What scope will options be considered within?

The infringement regime for non-compliance with COVID-19 Orders, is provided for in section 26 of the COVID-19 Public Health Response Act 2020 (the Act). There are two categories of offence covered by the section, each with corresponding maximum penalties.

- a. Infringement offence: a person who fails to comply with a COVID-19 requirement that has been identified as an infringement offence commits an offence and is liable for an infringement fee of \$300 or a court imposed fine not exceeding \$1,000.
- b. Criminal offence: a person who intentionally fails to comply with a COVID-19 order is liable on conviction for a fine not exceeding \$4,000 or term of imprisonment not exceeding six months.

The Amendment Bill currently proposes to increase the infringement fee to \$1,000 (currently \$300) and court imposed fine to \$3,000 (currently \$1,000) for individuals. Following a number of breaches of QFT conditions, officials were directed by the Minister for COVID-19 Response to progress work to increase these maximum infringement offence penalties further, to better deter and address non-compliance with COVID-19 Orders.

The rationale for this further work was that higher penalties would send a clearer message to people who breach a COVID-19 and put the community in danger of transmission of COVID-19, that this behaviour will be met with significant penalties. This is particularly relevant given the social and economic impacts of a single case of COVID-19 in the community, and the subsequent strain that is placed on the health system.

² 25. Creating infringement offences | The Legislation Design and Advisory Committee (Idac.org.nz).

³ https://www.justice.govt.nz/assets/Documents/Publications/infringement-governance-guidelines.pdf.

Australian comparison

Looking to Australia for comparison, the following on-the-spot infringement penalties applied as at 11 August 2021:

- a. In New South Wales, Police may also issue on-the-spot fines to individuals of \$1,000 for breach of an order made under the Public Health Act 2010. A smaller \$500 fine is available for a person aged 18 and above not wearing or carrying a mask when required to.4
- b. In Victoria, Police can issue on-the-spot fines of up to \$1,817 for adults for refusing or failing to comply with emergency directions, a public health risk power direction or Public Health Direction to provide information. A smaller \$200 fine is available for not wearing a face mask when required to.5
- c. In Queensland, an individual who does not comply with Public Health Directions may be given an on-the-spot fine of \$1,378. A smaller \$206 fine is available for failing to wear a mask when required to.6

Higher penalties are then available through the court system for non-compliance with COVID-19 requirements in these states, ranging from \$11,000 to \$21,808 for individuals, or a term of imprisonment.

Options to increase the section 26 infringement offence penalties in the Act

The following options to increase maximum penalties were provided to the Minister on 11 August 2021 [DPMC-2021/22-83 refers]:

- a. 25% higher than the level in the Bill: an infringement fee of \$1,250 and court imposed fine of \$3,750:
- b. 50% higher than the level in the Bill: an infringement fee of \$1,500 and court imposed fine of \$4,500; or
- c. 100% higher than the level in the Bill: an infringement fee of \$2,000 and court imposed fine of \$6,000.

In response the Minister requested that the proposed increase in maximum penalties be to an infringement fee of \$4,000 (currently \$300 in the Act) and court imposed fine of \$12,000 (currently \$1,000 in the Act).

The context of the decision was made in line with strengthening conditions to deter and address non-compliance with QFT requirements. However, increased maximum penalties are contained in section 26 of the Act and apply more widely to non-compliance with all COVID-19 Orders (not just the Air Border Order, which outlines conditions for QFT).

What options are being considered?

Option 1 – Penalty currently in the Act (no change proposed)

⁴ https://www.nsw.gov.au/covid-19/rules/legislation-and-penalties.

⁵ https://online.fines.vic.gov.au/News/Covid-restrictions-and-penalties-in-Victoria.

https://www.qld.gov.au/health/conditions/health-alerts/coronavirus-covid-19/current-status/public-healthdirections/movements-gatherings.

a. The penalty currently in the Act: an infringement fee of \$300 and court imposed fine of \$1000;

Option 2 – Penalty currently proposed in the Bill (change previously approved by Cabinet)

b. The penalty currently proposed in the Bill: an infringement fee of \$1,000 and court imposed fine of \$3,000;

Option 3 - Penalties higher than the level proposed in the Bill (the current proposal).

c. Higher than the level in the Bill: an infringement fee of \$4,000 and court imposed fine of \$12,000.

Existing alternative enforcement options

Police continue to apply the Graduated Response Model: Engage, Encourage, Educate and Enforce (4Es) and infringement penalties are applied when escalation in response to offences is required:

- a. Police advise that education will be the primary focus, unless there is wilful or intentional breach of the requirement.
- b. If widespread non-compliance occurred, creating a significant public health risk, Police advise they would apply the Graduated Response Model at a population level. This would involve clear encouragement and education to the public, followed by rapid escalation to enforcement action for all non-compliant individuals, where there is evidence of a breach.

A person who is identified as intentionally failing to comply with a COVID-19 Order will be able to be prosecuted and the criminal penalties available in the Act will apply upon conviction.

Given the challenging nature of the Delta variant, Police advise that they are likely to move through this process (i.e. from engage to enforce) faster compared to times when New Zealand (or parts of New Zealand) were at higher Alert Levels pre-Delta.

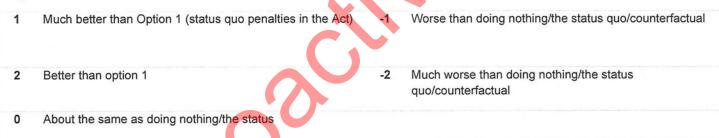
How do the options compare to the status quo/counterfactual?

In addition to there being no evidence that higher penalties will have a corresponding higher deterrent effect, higher penalties will also have equity, proportionality and consistency consequences. More serious conduct, where higher penalties apply, is most appropriately dealt with by the court to ensure judicial oversight in how these penalties are applied, and in what circumstances.

This proposal (option 3) is inconsistent with LDAC guidance (infringement fees typically should not exceed \$1000), but the higher penalties are intended to deter behaviours inconsistent with the COVID Act, which could have serious public health consequences e.g. bringing COVID-19 into New Zealand.

	Option1– Penalty currently in the Act	Option2 – Penalty currently proposed in the Bill	Option 3 - Penalties higher than the level proposed in the Bill
Effectiveness	-1	2	2
Equity	0	-1	-2
Proportionality	0	0	-2
Consistency	0	0	-2
Overall assessment	-1	1	-4

Key



What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Officials' first and best advice continues to be that the maximum infringement offence penalties in section 26 of the Act should not be increased further, beyond what is proposed by the Bill (option 2).

It is difficult to anticipate how much of a deterrent effect increased penalties will have before the increases come into force. While majority of New Zealanders will be unaware of what the maximum penalties for non-compliance with COVID-19 Orders in the Act are, officials consider that a significant increase in penalties (i.e. either option 2 or 3) will likely be effective in at least having some deterrent effect on non-compliance. This will especially be the case if the amended penalty settings are communicated well, and widely, to the public.

While options 2 and 3 may both be effective in deterring non-compliance with COVID-19 Orders, equity and proportionality concerns are more pronounced under option 3. This is because of the inherently inequitable nature of financial penalties (such as infringement fees and fines), given they have a proportionately larger impact on lower socio-economic households. Proportionately to offending, and due process, considering large fees will be able to be issued under this option without judicial oversight, are also relevant. The timelimited nature of the Act and proposed graduated fee framework will help to mitigate these concerns.

Both options 2 and 3 will see the infringement penalties in the Act increase above \$1,000. making both options inconsistent with the Legislation Design and Advisory Committee's guidance on creating infringement offences. This guidance provides that, in general, infringement fees should not exceed \$1,000, and if they do exceed \$1,000, it is preferable that the amount is fixed in primary legislation.

⁷ 25. Creating infringement offences | The Legislation Design and Advisory Committee (Idac.org.nz).

What are the marginal costs and benefits of the option?

Proposal	Preferred approach	Summary of costs and benefits
Improvement of the infringement regime	Amend the Act	Costs Strengthening the infringement regime will purposely impose costs onto non-compliant individuals or businesses. Benefits It is intended that significantly increasing the penalty levels for infringements will provide a more appropriate deterrent to non-compliance, and send a clear signal that non-compliance with COVID-19 Orders will not be tolerated. Reducing the number of breaches of COVID-19 orders will help to mitigate the risk of community transmission in New Zealand, minimising the social, economic and public health impacts of a COVID-19 outbreak.

We know that infringement fees have a greater impact on lower socio-economic groups, and that financial penalties are inherently inequitable given they have a proportionately larger impact on lower socio-economic households. If an infringement fee is not paid, a reminder notice will be sent and the matter may subsequently be referred to a court where the fee can become a court-imposed fine. A person who issues an infringement notice can challenge the notice directly with the issuing agency. Alternatively, a person can request a Court hearing, and the matter is then dealt with as with any other offence, with the burden of proof falling on the agency that issued the infringement notice.

These impacts will be carefully considered before finalising the secondary legislation that will provide for the graduated infringement fee framework. The impacts will also be mitigated by the Police's approach to enforcement of COVID-19 Orders, primarily focusing on education, unless there is wilful or intentional breach of the requirement.

The proposed increase to the maximum penalties may create disproportionate costs on the individuals in relation to the offence being committed. The increased penalties will apply across all offences relating COVID-19 Orders.

Section 3: Delivering an option

How will the new arrangements be implemented?

This proposed increase in infringement penalties will be implemented similarly to how previous infringement regimes in section 26 of the Act are being operationalised.

The Bill proposes to create a power to make regulations that set out a graduated infringement offence fee framework, as agreed by Cabinet [SWC-21-MIN-0067 refers]. Work is underway to develop this framework, which will prescribe infringement classes and corresponding penalty fees and fines commensurate to the offence. The framework will prescribe penalties up to the maximums specified in section 26 of the Act.

How will the new arrangements be monitored, evaluated, and reviewed?

Parliament must pass a resolution to continue the COVID-19 Public Health Response Act 2020 every 90 days. If not repealed earlier, it is repealed on 13 May 2022. Cabinet recently agreed to extend the term of the Act until May 2023. As the Act will be repealed in the future these provisions relating to the infringement regime will not be permanent.

The total number of infringements for offences relating to COVID-19 Orders are recorded in the Police's Daily COVID-19 Compliance Report. This report provides a daily update on key statistics related to New Zealand Police's pandemic response, which includes a summary of infringements that have been issued for COVID-19 Order breaches since 19 August 2021.

During Alert Level 3 and 4 the Compliance Report is updated daily and captures the previous 24-hour period. When the country moves to Alert Level 2, the report is then issued weekly. In Alert Level 1 the report is no longer issued, however, data on infringements is still collected and recorded. The report is shared internally to Police leaders and with some external agencies who also share an interest.