



COVERSHEET

Minister	Hon Chris Hipkins	Portfolio	COVID-19 Response
Title of Cabinet paper	Maintaining MIQ in the short-term A National Quarantine System: options for the ongoing COVID-19 Response and Future Pandemic Preparedness Options for Accelerating MIQ Network Transition	Date to be published	20 May 2022

List of documents that have been proactively released

Date	Title	Author
December 2021	Maintaining MIQ in the short-term	<i>Office of the Minister for COVID-19 response</i>
8 December 2021	Maintaining MIQ in the short-term SWC-21-MIN-0215	<i>Cabinet Office</i>
8 December 2021	A National Quarantine System: Options for the Ongoing COVID-19 Response and Future Pandemic Preparedness	<i>Office of the Minister for COVID-19 response</i>
8 December 2021	A National Quarantine System: Options for the Ongoing COVID-19 Response and Future Pandemic Preparedness SWC-21-MIN-0214	<i>Cabinet Office</i>
March 2022	Options for Accelerating MIQ Network Transition	<i>Office of the Minister for COVID-19 response</i>
9 March 2022	Options for Accelerating MIQ Network Transition SWC-22-MIN-0032	<i>Cabinet Office</i>

In Confidence

Office of the Minister for COVID-19 Response

Cabinet Social Wellbeing Committee

Maintaining MIQ in the short-term

Proposal

- 1 This paper seeks funding to support the delivery of Managed Isolation and Quarantine (MIQ) over the next financial year, as we transition to a reduced MIQ footprint to support New Zealand's continued response to COVID-19, and we consider a more enduring quarantine model for pandemic preparedness in the future.
- 2 This is Paper 1 in a set of two papers that address MIQ's current and future role.

Relation to Government priorities

- 3 This paper supports the ongoing response to COVID-19 by securing the short-term stability of the MIQ network. It is in line with the Government's Minimisation and Protection Approach and Reconnecting New Zealanders Strategy.
- 4 This paper is intended to be considered alongside the companion Cabinet paper: *A national quarantine system: decisions about quarantine options for the ongoing COVID-19 response and for future pandemic preparedness.*

Executive Summary

- 5 MIQ has played a key role in the response to COVID-19 to date. The Reconnecting New Zealanders Strategy is clear that MIQ will have a reduced role at the border with the phased re-opening planned for early 2022. This includes continuing to provide a service for returnees on high and/or very high-risk pathways, unvaccinated New Zealand citizens, and providing care for community cases.
- 6 While we are considering options around how we best utilise and leverage what we have learnt so far to prepare us for future pandemics or other emergency preparedness, decisions are needed now to ensure that we continue to have a functioning MIQ system to address our short-term needs.
- 7 We need to remain agile to accommodate any changes which may occur either domestically or globally, including new variants of concern, which may shift the risk profile of higher volumes of travellers or coincide with other health issues arising during the winter months.

- 8 I propose that we take a carefully managed, staged approach to transition to reduced MIQ capacity. This is the best way to ensure that we are retaining flexibility to scale MIQ up or down as our environment and context changes.

Scaling down MIQ capacity

- 9 I am seeking Cabinet's agreement to scale down MIQ capacity through a Moderate Transition Approach which will allow MIQ to reduce from its current 5,900 room capacity to around 4,400 rooms by July 2022, and then reduce further to 1,300 rooms by June 2023. This capacity provides for MIQ to serve as an escalation point for future community and border demands, mitigates potential risks arising as we move into winter, and is my preferred option **[Moderate Transition Approach]**.
- 10 Alternatively, if Cabinet desires a faster reduction in MIQ capacity, this could be achieved within the calendar year, reducing MIQ's capacity to 1,300 rooms by December 2022 **[Accelerated Transition Approach]**. This option carries with it significant risks in terms of any surge in demand for MIQ from June 2022, the economic and employment impact of large numbers of hotels exiting within a very short period of time, and the feasibility of managing so many decommissioning processes at once.
- 11 Decisions we make now on the anticipated speed and scale of MIQ reduction through the 2022-2023 year will enable the Ministry of Business, Innovation and Employment (MBIE) to begin negotiating with hotels and transport services in early 2022 for the critical infrastructure and functions required for MIQ to continue to operate.
- 12 These decisions will also enable MBIE to provide clarity for those hotels about their likely longevity within the MIQ network, enabling them to plan their own commercial futures and workforce requirements. For those hotels who will be exiting the MIQ network by the end of current contracts (end June 2022), these decisions will provide the vehicle for MBIE to progress with the formal decommissioning process, Commercial information

Workforce

- 13 As we take the time to consider MIQs future scale, we also need to consider current workforce arrangements. The combined workforce in MIQ represents contributions from MBIE, the New Zealand Defence Force (NZDF), New Zealand Police (Police), the Aviation Security Service (AvSec), District Health Boards (DHBs) and hotel staff.
- 14 This combination has served us well, but the prolonged NZDF deployment to MIQ has had substantial impacts, including on their readiness to respond to other events and the ability of NZDF to maintain basic levels of military training and preparation. There have also been significant impacts on NZDFs ability to attract and retain service personnel. Police's commitment to MIQ (currently 235 staff) has also impacted its ability to satisfy public demand in other areas and created pressure for staff to work additional hours.

- 15 In the future, I envisage a single agency taking accountability for the national quarantine response model, with a core, skilled workforce supplemented from other agencies for specialist services. As we begin the transition towards that future model, I am proposing we take the opportunity now to further consolidate the core workforce within MBIE in the interim, acknowledging that decisions on the future agency accountability for the quarantine response model are still to be made.
- 16 I am therefore seeking Cabinet's agreement to the withdrawal of NZDF from MIQ by December 2022, with funding provided to MBIE to support this withdrawal. This paper presents options around the scale of the replacement workforce. MIQ and NZDF are already actively working to reduce the NZDF commitment where possible. This commenced in October this year with the reduction of just under 15% of NZDF's total MIQ security workforce deployment. My intention is to continue reducing the commitment from NZDF as soon as the first MIQ facility exits the network early next year.
- 17 I propose that the Health and Police MIQ workforce is scaled down to reflect the reduced footprint of MIQ in 2022/23, but I intend to retain the current scale of AvSec involvement, to allow maximum flexibility to facilitate the NZDF exit.

Funding for the 2022/23 financial year

- 18 In line with my recommended Moderate Transition Approach, I am seeking a total of \$653.389 million to secure and stabilise a reduced MIQ network during 2022/23, to ensure it can meet current and emerging needs. This figure includes the workforce costs of cross-agency partners.

Background

- 19 MIQ has played a key role in the response to COVID-19 to date. Along with preventing COVID-19 from entering the community across the border, MIQ has taken a leadership role in the government response following the pause and suspension of quarantine free travel with Australia, supporting the urgent evacuation of people from Afghanistan, and has also contributed to the management of community outbreaks. Facilities have rapidly transformed isolation rooms to quarantine rooms, adapting at pace to ensure that community cases could quarantine safely by providing increased wrap-around welfare support.
- 20 Currently, New Zealand has 32 Managed Isolation and Quarantine facilities across five cities, all of which are through time-limited service contracts with hotels. Funding for the current network, staffing, and operating model expires at the end June 2022, [REDACTED] Negotiations [REDACTED]
[REDACTED]
[REDACTED]

- 21 On Wednesday 24 November, the Cabinet Social Wellbeing Committee (SWC), having been authorised by Cabinet to have Power to Act [CAB-21-MIN-0498] endorsed a phased approach to opening the medium-risk pathway to travellers so they would not need to enter MIQ, as follows [SWC-21-MIN-0200 refers]:
- 21.1 **Step 1:** Opening to fully vaccinated New Zealand citizens and residence-class visa holders and other travellers eligible under our current settings from Australia from 11.59 pm on 16 January 2022
 - 21.2 **Step 2:** Opening to fully vaccinated New Zealand citizens and those residence-class visa holders and other travellers eligible under our current border settings, from all but “very high risk” countries, from 11.59pm 13 February 2022
 - 21.3 **Step 3:** Opening to fully vaccinated foreign nationals (possibly staged by visa category), from 30 April 2022 onwards.
- 22 The implementation of the medium-risk pathway will significantly reduce demand for MIQ from the border, but there will still be a requirement for a core reserve of quarantine standard facilities for the foreseeable future.
- 23 With a view to this, in September, I directed officials to develop a Programme Business Case (PBC) to set out the requirements to deliver a stable, flexible, and enduring national quarantine system that will see us through the next phase of COVID-19, as well as ensure preparedness for new variants of concern and for future epidemics or pandemics.
- 24 The steps needed to deliver this future vision are articulated in the companion Cabinet paper: *A national quarantine system: decisions about quarantine options for the ongoing COVID-19 response and for future pandemic preparedness*
- 25 This Cabinet paper seeks funding to secure the short-term stability of a reduced MIQ network to ensure it can meet current and emerging needs, while we work towards the longer-term state proposed in the PBC.
- 26 This paper also ties in with other papers related to the evolving model of care for COVID-19 patients in the community prepared by the Ministry of Health, Ministry of Social Development, and Ministry of Housing and Urban Development considered by Cabinet on 22 November:
- 26.1 COVID-19 Minimisation and Protection approach – public health readiness (Ministry of Health) [CAB-MIN-21-0491 refers]
 - 26.2 COVID-19: A whole of system welfare approach under the COVID Protection Framework (Ministry of Social Development) [CAB-MIN-21-0493 refers]
 - 26.3 COVID-19 Care in the Community (Ministry of Health) [CAB-MIN-21-0492 refers].

I anticipate that MIQ will have an ongoing but smaller role in the COVID-19 response over the next financial year

- 27 While the phased approach to the Reconnecting New Zealanders strategy (RNZ) means that the majority of travellers will no longer enter New Zealand through MIQ, a portion will continue to access managed isolation and quarantine due to their risk, including unvaccinated citizens and exempted travellers or travellers from very high risk countries.
- 28 Similarly, although the 'COVID-19 care in the community' model provides for home isolation of positive cases, a critical component of the model is that rooms in MIQ are available for those who need them [CAB-MIN-21-0492 refers]. For example people living in accommodation that is unsuitable for safe self-isolation (such as some properties with shared bathroom or kitchen facilities), COVID-19 cases who are not compliant with self-isolation requirements, and those with additional health or other concerns that make the closer contact care provided in MIQ preferable. Alternative accommodation options include transfer to an MIQ facility – where the case is within three hours of MIQ [CAB-MIN-21-0493 refers].
- 29 It is difficult to predict the demand from MIQ given the settings for the medium and high-risk pathways and volume modelling have not yet been confirmed. However, officials have used the Jurisdiction Risk Assessment Tool (JRAT) projections in early November and Te Pūnaha Matatini outbreak modelling last updated on 19 November to inform the transition approach at a high level.
- 30 Based on some high-level assumptions, officials estimate that once all RNZ steps are implemented MIQ may need to accommodate up to between approximately 500 to 1,400 entries per week from the border and community, which roughly translates to between approximately 400 to 1,000 rooms per week.¹ These numbers are very approximate and are not a model of demand. Actual numbers will depend heavily on border and health settings and traveller volumes / airline supply decisions.
- 31 The ongoing global situation is very uncertain and can change rapidly, as the recent emergence of the Omicron variant and the designation of southern African countries as very high risk has shown. New Zealand may see something similar to the 'fourth wave' that much of Europe is experiencing currently in our winter or flu season in 2022. The impact of Omicron is not yet known, but reinforces the need for MIQ to continue to have flexibility and maintain capacity to cater to increased demand if the state of the global pandemic deteriorates significantly, current vaccinations have limited efficacy against a new variant of concern, or winter and flu season stretches the health system even further.

¹ Assuming average 1.35 people per room packing rate

- 32 I have considered the impact of potential low occupancy alongside the need to retain sufficient MIQ contingency to remain responsive to emerging needs for quarantine capacity. I intend to continue to work closely with officials to ensure that the planned transition path is regularly reviewed, with scope to increase the speed at which we decommission facilities if possible.
- 33 Officials assume the following cohorts may need MIQ throughout 2022 to June 2023:
- 33.1 **Travellers arriving from very high risk countries.** This is an area where we must maintain significant capacity for the foreseeable future. When the medium pathway settings were announced on 23 November, the only designated very high-risk country was Papua New Guinea. Five days later, nine additional countries were added to the very high risk country list with the emergency of the Omicron variant in southern Africa, and an additional requirement for travellers from these countries to enter MIQ for 14 days instead of 7 days was also announced. MIQ needs to continue to have capacity in the short to medium term to respond quickly to changing health and border settings.
- 33.2 **Community cases escalated to MIQ.** Modelling in early November suggested an average of 200 community cases of COVID-19 per day could be expected in the short term. Community cases are primarily being cared for in their own homes and are only referred to MIQ where indicated by complex needs or a reduced likelihood of being able or willing to comply with self-isolation requirements, and where an MIQ facility is within three hours travel. Currently about 25 percent of community cases are referred. Officials have assumed about 10 to 20 percent may continue to need MIQ in the short-term.
- 33.3 **Travellers diverted to MIQ on arrival.** It is currently unclear to what extent clinical health screening may identify COVID-19 positive cases at the border and whether these cases would go into MIQ, as public health advice is still being developed. Regardless, it is likely that at least some arrivals may be directed to MIQ by a Medical Officer of Health or border officials if they have complex needs, there is any doubt around their compliance with border requirements or there are transmission risks indicated by their intended final destination and/or method of transport to reach it. On average, one percent of border arrivals have tested positive for COVID-19 during their stay in MIQ, with 30 percent of those testing positive on day zero. If direction to MIQ follows the same approach as community cases, this could mean about 10 to 20 percent of arrivals that test positive on day zero going into MIQ.
- 33.4 **Large and/or complex groups ill-equipped to self-isolate.** It is possible that a small portion of large and/or complex groups with specific self-isolation requirements entering New Zealand via the medium-risk pathway may need to enter MIQ (e.g. certain sports groups with particular training requirements).

- 33.5 **New Zealand citizens who do not meet vaccination requirements (or travellers who are exempt from vaccination requirements).** It is unclear in the future how unvaccinated travellers will be treated at the border and whether they will need to enter MIQ once the border opens up in Q2, 2022. SWC noted on 15 November that public health advice from the Ministry of Health is that continuing to require unvaccinated travellers to enter MIQ may not be proportionate to this level of public health risk over the medium to long term, and therefore transition to self-isolation is considered appropriate [SWC-21-MIN-0200 refers]. Only three airlines² have passenger vaccination policies that will prohibit or limit unvaccinated persons from travelling on their services so there will be flight paths available to unvaccinated travellers, although we expect volumes to be low.

Proposed transition strategy for reduction in MIQ facilities

- 34 We need to retain a degree of flexibility in the scale of the MIQ network to ensure it is able to respond to volumes arising from the implementation of these new pathways and care models. This could mean some 'wastage' in spare capacity to ensure we are able to respond when needed, however I consider this is necessary to maintain flexibility and surge capacity given the risk of rapid changes in the global pandemic response.
- 35 I am also conscious of the 'fourth wave' that much of Europe is experiencing currently, and recent concerns about the Omicron variant, and want to ensure that we enter next winter with case numbers as low as possible but with the ability to surge MIQ capacity if needed.
- 36 With these considerations in mind, I have asked MBIE officials to develop a transition plan to support the careful and phased wind-down and formal transition of some facilities out of the MIQ network, and to reduce overall network and workforce capacity and cost.
- 37 I am seeking Cabinet's agreement to the following MIQ network capacity trajectory [Moderate Transition Approach]:
- 37.1 Reduction to approximately 24 facilities and 4,400 rooms by July 2022 (reduction of 8 facilities and approximately 1,400 rooms within a 6 month period).
- 37.2 Reduction to approximately seven facilities and 1,300 rooms by June 2023 (reduction of 25 facilities and approximately 4,500 rooms within a 12 month period).

² Ministry of Transport advised MBIE on 10 November 2021 that Air New Zealand and Qantas, have 'no jab no fly' policies. Singapore Airlines have a 'Vaccinated Travel Lanes' framework in place which will likely result in the majority of travellers routed through Singapore on their journey to NZ meeting vaccination requirements. All other airlines were not implementing 'no jab no fly' policies, and at that time had no intention to introduce one.

- 38 A diagram of the proposed Moderate Transition Approach reduction of MIQ facilities is attached in **Appendix 1**.
- 39 On considering the current challenges we face, and the likelihood of new threats emerging as we respond to COVID-19, I consider that this Moderate Transition Approach provides us with the flexibility we will need in the coming year.
- 40 Alternatively, if Cabinet desires a faster reduction in MIQ capacity, the Accelerated network capacity reduction would be:
- 40.1 Reduction to approximately 24 facilities and 4,400 rooms by July 2022 (reduction of 8 facilities and approximately 1,400 rooms within a 6 month period) – same as the Moderate Approach.
 - 40.2 Reduction to approximately seven facilities and 1,300 by December 2022 (reduction of 25 facilities and approximately 4,500 rooms within a 6 month period).
- 41 A diagram of the alternative Accelerated Transition Approach for MIQ facilities is attached in **Appendix 2**.
- 42 Both Transition Approaches aim towards a retained capacity of around 1,300. I consider it critical to retain a core capacity in the long term to provide an escalation path for the current COVID-19 response, as well as provide key future infrastructure and expertise for the health system and New Zealand's emergency preparedness.
- 43 I am seeking decisions on that in the Cabinet paper: *A national quarantine system: decisions about quarantine options for the ongoing COVID-19 response and for future pandemic preparedness*. This Cabinet paper proposes the development of a core quarantine capacity of approximately 1,000 rooms, which will be gradually developed through a blend of approaches including long-term leases, modular expansion, and potentially greenfields development. While these more enduring approaches are under development, I anticipate that short-term lease arrangements may be continued beyond June 2023 if needed.
- 44 I will work with MBIE to finalise the operational detail of Cabinet's preferred transition approach, including the specific make-up of hotels to be decommissioned, following engagement with facilities after funding is confirmed.

Funding decisions for 2022/23 are needed now to ensure we can actively plan and manage the shift in scale and function of MIQ

- 45 The MIQ network is currently funded until June 2022, but as outlined above there is a clear need for a core reserve of facilities beyond this date, albeit in a scaled form.

- 46 In line with my recommended Moderate Transition Approach, I am seeking a total of \$653.389 million to secure and stabilise a reduced MIQ network during 2022/23, to ensure it can meet current and emerging needs. This figure includes the workforce costs of cross-agency partners.
- 47 The time-sensitive funding requirements for the ongoing operation of a gradually scaled-back MIQ in 2022/23 are set out below:
- 47.1 Funding to extend contracts with some facilities and transportation providers
 - 47.2 Funding for remaining facility ventilation remediation work
 - 47.3 Workforce costs (both cross-agency and MBIE), including workforce adjacent costs (i.e. IT) as well as costs relating to the management of transition to reduced MIQ facilities and implementation of resulting workforce changes
 - 47.4 Funding for MCA categories required for the fees regime.
- 48 The following sections set out the details of each cost component based on the Moderate Transition Approach option. These are summarised in the table below.

Cost component (\$m)	2021/22 funding provided (\$ million)	Funding sought for 2022/23 (\$ million)
Hotels and facility costs	616.038	275.474
Transportation costs	47.525	32.411
Ventilation maintenance and remediation costs	-	2.350
Workforce costs (including MBIE and partner agency costs)	293.964	271.695
Other costs including ICT systems, MIAS, legal	41.355	41.159
MCA categories required for fees regime	131.747	30.300
Total	\$1,130.629	\$653.389

- 49 This funding is in addition to the \$19.047 million and \$2.099 million already appropriated to MBIE and the Ministry of Health, respectively, in 2022/23 for the operation of the Elms Christchurch MIQ facility [SWC-21-MIN-0133 refers].
- 50 Any funding relating to MBIE's involvement in the development of a managed self-isolation system will be sought separately if required.

51 The financial and other implications of the Accelerated Transition Approach are set out later in this paper in paragraphs 116-120.

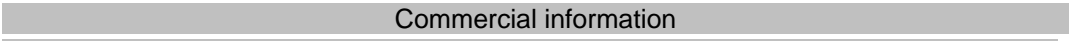


Funding for hotel and transport contracts to maintain a core MIQ capacity in 2022/23

52 I am seeking \$275.474 million in funding for MBIE to extend some of the current contracts with MIQ facilities, in line with the proposed Moderate Transition Approach.

53 We need to continue to work in partnership with hotels and communities to manage the impacts of exiting hotels from MIQ onto an uncertain market. Hotels and their workforces provide substantial economic benefits for the communities and cities they are located in. Being part of the MIQ network has sustained their operational viability through border closures and the loss of the international tourist and conference market. Un-staged exits by large numbers of hotels from the MIQ network is likely to result in significant excess capacity across the entire hotel market, before the tourism industry has had time to re-establish following border re-opening. This is particularly the case in Auckland, where MIQ currently contracts 18 large hotels.

54 I am also committed to maintaining constructive relationships with hotels and their workforces in the event that we need to enlist their help again for COVID-19 resurgence or as surge capacity for future pandemics. MIQ would not have operated as successfully as it has done without dedication and commitment from hotels and their workforces.

55 The provision of funding will enable the Crown to begin discussions with current facilities. These discussions will happen in conjunction with the reduction of facilities which are not required beyond June 2022. Commencing the discussions now will allow for greater certainty for both the Crown and the facilities involved.

56  Commercial information

 MBIE intends to retain this provision as part of current contract negotiations to provide maximum flexibility should the situation change and we need to make faster or different decisions in relation to the MIQ network.

57 The capacity provided by these contracted facilities represents both a component of the PBC proposal, and the minimum viable continuation of MIQ.

58 Transport by both land and air is provided by external suppliers and costs will reduce as the number of facilities in the MIQ network reduce. I am seeking \$32.411 million to meet the cost of transportation for the transfer of people between arrival point (at the border) or homes (within the community) and facilities in line with the moderate transition approach.

Funding for maintenance and remediation work in 2022/23

- 59 I am seeking \$2.350 million to cover the cost of maintenance and remediation work in 2022/23. As we shift towards a higher-risk profile of people staying in MIQ, remediation to ensure quarantine-level standards within facilities continues to be critical.
- 60 Over the next year, some of the MIQ facilities which we are intending to retain in the network will require updates to their ventilation systems. Included in this work is:
- 60.1 general ventilation remediation,
 - 60.2 the purchase of air filtration units, and
 - 60.3 the ongoing maintenance of these new units.
- 61 This funding will ensure that the facilities can operate to the required standard. This remediation will be targeted at those core facilities we envisage as continuing to be part of the MIQ network at June 2023.

Securing the MIQ workforce for 2022/23

- 62 I am seeking funding for the cross-agency MIQ workforce for 2022/23. As noted previously, MIQ's heavy reliance on other agencies carries with it a number of risks and challenges, and is not sustainable in the medium or long term. In December 2020, Cabinet noted that MBIE, in conjunction with other partner agencies, would look to develop a plan for further normalisation of MIQ operations; in particular to reduce the support required from other agencies where possible [CAB-20-MIN-0511].
- 63 As set out in the PBC, and noted above, my intention is that MIQ shifts, over time, from a multi-agency response to having a core, skilled workforce that supports a resilient national quarantine system and provides a legacy of support. This is important given the future quarantine response will need to be on a constant state of evolving readiness for emerging and emergency response support across our pandemic and public health-related systems.
- 64 While I anticipate that this core workforce will need to be supplemented by specialist support from other agencies for particular levels of care, specialism and enforcement, the ask on other agencies will be significantly less than it is currently.
- 65 I have asked officials to report back early next year on the future agency accountability for the national quarantine system, so that the transition to a core, skilled workforce can be managed with that future structural home in sight.
- 66 I am proposing to begin this transition to a dedicated, core workforce from early next year, with a priority placed on transitioning NZDF out of MIQ and enabling them to return to their core duties.

67 AvSec’s contribution will remain static to support this, and Police and Health’s workforce commitment will reduce in line with the chosen Transition Approach.

68 The following sections set out the details of each workforce cost component. These are summarised in the table below.

Agency	Funding appropriated for 2021/22	Current FTE	Funding sought for 2022/23	Future FTE
MBIE	\$145.604	767	\$187.768	1,432
AvSec	\$16.460	156	\$16.890	156
Police	\$4.150	238	\$23.838	142
Health	\$127.750	Unable to provide	\$43.199	Unable to provide
NZDF	Nil	1,200	Nil	Nil by Dec 2022
Total	\$293.964		\$271.695	

Notes:

- MBIE’s 2022/23 FTE includes FTE to replace NZDF personnel
- AvSec’s 2022/23 funding increase reflects CPI wage growth base at a rate of 2.6%
- Police sought \$36.600 million in 2021/22 for their MIQ costs. They were appropriated \$4.150 million for allowances related to MIQ staff. Police is also seeking \$9.908 million for 2021/22.
- MoH fund DHBs based on a daily occupancy rate and are therefore unable to provide FTE numbers.
- NZDF’s forecast marginal costs for MIQ in 2021/22 were \$55.800 million

Funding for NZDF’s functions in 2022/23

69 NZDF has assisted with the operation of the MIQ system since April 2020 and its personnel are embedded in all levels of the operating model.

70 The salary costs of NZDF’s deployment to MIQ are currently funded within Vote Defence Force baselines. NZDF is also absorbing significant marginal operating costs—including travel, accommodation and allowances—for personnel deployed from home camps and bases throughout New Zealand. These costs are presently being offset by reductions in training, maintenance, and operating activities unable to be continued concurrently. In total, NZDF experienced significant underspends in 2020/21.

Risks associated with NZDF’s deployment to MIQ

71 While all MIQ partner agencies have faced their own challenges in terms of supporting MIQ work alongside core business, the impact is most acutely felt by NZDF given that at any one time, it has committed up to 1,200 personnel (up to 10 percent of its total workforce) for deployment rotations to MIQ. The prolonged deployment to MIQ has had a detrimental material impact on NZDF’s capability and availability to conduct other responses and outputs; as well as cancelled training programmes, degrading retention, and reduced Pacific and regional engagement.

- 72 The NZDF's ability to provide the Government with flexible, immediate response options for unpredictable events is increasingly compromised by the continued deployment to MIQ, with the ability to respond becoming more reliant on the fortuitous timing of any given event. The evacuation from Afghanistan, for example, was able to be completed successfully only because C130 crews had recently returned (two weeks earlier) from tactical aircrew training, and so were qualified and ready for this mission. The response to sudden West Coast South Island floods also fortuitously occurred between MIQ rotations for the Burnham Response Group.
- 73 NZDF has already seen a 50 percent reduction in readiness over the last 12 months, and each further six-month period NZDF remains in MIQ is anticipated to require an additional 12-month period to fully regenerate capability. The long period to recover is due to the compounding effects of lost training, low recruiting and higher attrition; all of which are attributable in varying degrees to the provision of support to MIQ.
- 74 The NZDF's ability to respond to large scale events such as a Christchurch or Kaikoura Earthquake, a regional tsunami, a Pacific security crisis, or a Tropical Cyclone—such as Winston in Fiji—is also at risk. Over the upcoming high risk weather season in Pacific, the capacity of NZDF responses for humanitarian assistance and disaster relief is reduced, directly due to personnel commitments to supporting MIQ.
- 75 The prolonged deployment to MIQ is also impacting on NZDF's ability to maintain basic levels of military training and readiness, leading to the degradation of core military capabilities. This risks ongoing suspensions of an aircraft fleet type, suspension of one or more naval vessel capabilities, suspension of naval diving and salvage capability, and the suspension of Army's high-readiness response capabilities (including Humanitarian Assistance and Disaster Relief forces).

Proposal for a phased exit of NZDF from MIQ

- 76 In light of these factors, I am seeking Cabinet's agreement to a phased withdrawal of NZDF from MIQ by December 2022, as a first step in a move towards a more sustainable, national quarantine response workforce model.
- 77 I am also seeking agreement that NZDF's exit be prioritised over those of other workforce partners, specifically AvSec and private security contractors. Subject to funding, and ability to recruit, it is intended that NZDF is exited from MIQ as rapidly as possible, with the NZDF commitment beginning to reduce as soon as the first MIQ facility leaves the network early next year.

- 78 The scaling down of MIQ over the next 18 months will provide two main exit pathways for NZDF personnel:
- 78.1 NZDF personnel working in facilities being transitioned out of MIQ will be released from their MIQ deployment as these facilities cease to be required.
 - 78.2 MBIE, AvSec and private security personnel from transitioned MIQ facilities will be redeployed (where possible) to remaining facilities in their region, which will enable further NZDF staff to be released.
- 79 To achieve the full NZDF phase out by December 2022 however, MBIE will need to incur additional costs to cover the recruitment of replacement personnel.
- 80 MBIE already employs personnel for some core operational leadership roles (MIQ Facility Managers, Operations and Security Managers) and has begun programme to recruit Security Officers (to date, MBIE has employed over 250 security officers). The options below would involve additional recruitment to MBIE's MIQ facility workforce in support of NZDF's transition out.
- 81 I am seeking Cabinet's agreement to one of the following options:
- 81.1 **Option one:** funding of \$93.84 million in 2022/23 is provided to allow MBIE to recruit a MIQ facility management workforce sufficient to staff 16 MIQ facilities (the proposed December 2022 network size), and MBIE security officers to staff 7 facilities (the proposed June 2023 network size). AvSec and Private Security personnel will be utilised to cover security functions in place of NZDF from January-June 2023 while MBIE continues the transition out of the remaining 9 facilities down to the 7 facilities envisioned by June 2023.
 - 81.2 **Option two:** funding of \$118.67 million in 2022/23 is provided to allow MBIE to recruit up to a workforce sufficient to staff 16 MIQ facilities across both MIQ facility management and security workforces (the proposed December 2022 network size), with minimal uplift in private security.
- 82 Both options would enable MBIE to manage down to a nil commitment from NZDF (except for potential surge support) by December 2022. A detailed withdrawal plan will be developed in early 2022 following engagement with facilities after funding is confirmed, however, I anticipate that on average up to 100 NZDF personnel will be able to exit MIQ per month.
- 83 Option one would result in MBIE workforce capacity better aligned to the relative size and scale I am proposing for the future national quarantine response, mitigating some of the concerns for ongoing employment certainty for the workforce. It would also require a smaller financial commitment from Cabinet, as recruiting fewer MBIE staff would require a smaller scale recruitment and induction programme, as well as less in contingency for potential redundancy costs.

84 However, it would mean that we would need to increase our call on other partners for longer, specifically private security.

85 [Redacted] Commercial information [Redacted]
[Redacted]
[Redacted]
[Redacted] I judge this risk to be slight however, given current attrition rates and the need to support both the short-term MIQ network at the same time as we are establishing the enduring national quarantine system. [Redacted] Commercial information [Redacted]
[Redacted]
[Redacted]

86 Option two also presents a risk that MBIE would not be able to recruit 934 security FTE by December 2022.

87 Under either option, I am not proposing to seek funding for the replacement of NZDF personnel at the national and regional office level. Rather, NZDF personnel in these roles would be phased out as soon as possible (ideally by 30 June 2022, and no later than 1 December 2022), and MBIE would manage within its existing baseline (including redeployments) for the functions that need to be replaced.

88 Both options will also incur additional costs in 2021/22 of approximately \$36 million. MBIE anticipates that it will be able to absorb this within its existing MCA.

89 Dependant on the final structure and options selected; the associated salaries and marginal costs for NZDF for 2022/23—currently being funded from NZDF baseline—are estimated to be between \$30-35 million.

Funding to maintain scaled-down AvSec MIQ functions in 2022/23

90 I am seeking \$16.890 million of additional funding in 2022/23 for the deployment of 156 FTE AvSec personnel to MIQ.

91 AvSec officers provide security personnel to MIQ facilities, alongside NZDF, MBIE and contracted private security workforce.

92 Although we expect to see a gradual scale down of MIQ over the next 18 months, I propose to retain existing levels of AvSec security presence in MIQ for the next financial year in order to enable maximum flexibility to support the phased withdrawal of NZDF.

93 AvSec is also in a better position to recruit/retain personnel, as it can offer permanent employment and a long term career pathway for security staff. Maintaining the required security presence at MIQ could otherwise be challenging in the current labour market. Finally, this workforce is already trained, vaccinated and available to work at MIQ facilities.

Funding to maintain scaled-down Health MIQ functions in 2022/23

- 94 I am seeking \$43.199 million in funding to secure the MIQ health workforce to support a scaled down MIQ response for the next financial year.
- 95 MIQ is a public health intervention, therefore the health sector is a critical partner in the delivery of MIQ services. Their ongoing support is fundamental for the duration of MIQ. The health support under the MIQ model falls into four key areas:
- 95.1 Health screening and registration at the border, including the joining up of arrivals with the National Health Index
 - 95.2 Health, wellbeing and psychosocial support for residents 24/7
 - 95.3 Testing of residents and workers, including the health check sign out
 - 95.4 Infection prevention and control to underpin the end to end system, including the provision of PPE.

Funding to maintain scaled-down Police MIQ functions in 2022/23

- 96 I am seeking additional funding for 2021/22 and 2022/23 for Police's workforce.
- 97 Police's role in MIQ includes communication and reassurance to travellers, liaising with other agencies, assisting with the arrival and departure of travellers and critical escalation and enforcement support. More recently, responding to poor behaviour and enforcement action has been increasing as the complexity of needs of MIQ occupants increases.
- 98 Police deployment to MIQ is coming from baseline and is creating significant pressure on other Police services and priorities and having consequential impacts on Police's ability to meet its core demand. It is also impacting Police's costs associated with leave liability and TOIL as other staff work additional hours to balance those dedicated to MIQ (and to COVID-19 checkpoints). This pressure has increased as core demand has increased, particularly issues such as mental health and family harm calls for service which may also be impacted by COVID-19 and lockdowns.
- 99 It also means that the Government's intention to strengthen Police frontline delivery through an additional 1,800 staff by 30 June 2023 is not being fully realised. Although staff numbers have grown and are on track to meet the recruitment target, frontline response teams provide the majority of the MIQ FTEs resulting in lower than intended service levels and unmet service demand. Pressure on frontline resources also limits Police's ability to recruit to fill more specialised organised crime roles (as part of the additional 1,800) from frontline staff pools.

- 100 Although the number of MIQ facilities is planned to gradually decrease in 2022/23, the use of MIQ for domestic quarantine for individuals unable to isolate in the community changes the nature of the population and has considerably increased the risk of non-compliance, inappropriate and threatening behaviour and absconding. Quarantine for COVID-19 positive cases, as opposed to close contacts, requires around 4 FTE per facility, per shift. As a consequence, Police expects to be required to retain significant staffing rates at MIQ.
- 101 Police's deployment to MIQ facilities is currently 235 FTE providing broadly one officer to each isolation facility 24/7, and four officers per quarantine facility 24/7. It is estimated that Police deployment to MIQ will remain at or above the level of funded staff (142 FTE) even as the number of facilities drops. This is due to the likely concentration of the use of MIQ for those with high safety risk and for quarantine.
- 102 To address the pressure on Police resources created by MIQ, I propose Police be funded \$9.908 million in 2021/22 and \$23.838 million in 2022/23 for an additional 142 FTE. Recruitment would begin as soon as possible (during 2022) and continuing into 2022/23. Given the short-term nature of the funding, this is a realistic scale of recruitment and will grow to enable partial funding of around 60 percent of Police's MIQ staffing. The funding sought includes a contribution to costs already incurred over and above salaries to be met in the initial six-month period (eg, accrued leave).
- 103 If the scale of MIQ and therefore demand for Police deployment reduces, non-funded constabulary can be redeployed back to the frontline. Police estimate that, as the number of facilities falls below around 8-16 facilities (depending on whether used for quarantine, location, size and risk of those facilities), Police may be able to begin to absorb the funded positions into funded establishment through managing recruitment numbers against Police's usual attrition rates (400-500 constabulary per year). However, there remains considerable uncertainty as to what demand will exist at that time. Should demand for MIQ remain at greater scale, or for a longer period (beyond 2022/23), Police would seek additional resources alongside other unfunded MBIE costs associated with MIQ.
- 104 A breakdown of Police's funding request is provided in the table below:

Cost component	2021/22	2022/23	Total
Personnel Costs			
Recruits	1,610,023	2,190,952	3,800,975
Constabulary	2,281,931	13,042,808	15,324,739
Constabulary Indirect/Allowances	2,652,189	929,927	3,582,116
Overheads	2,264,523	6,323,615	8,588,138
Employees	499,090	563,002	1,062,092
Property & Vehicle Costs	599,792	787,500	1,387,292
Total Operating Expenditure	9,907,547	23,837,804	33,745,352

Funding to maintain scaled-down MBIE MIQ functions in 2022/23

- 105 I am seeking funding of \$228.927 million for MBIE MIQ personnel and support costs and operational system costs.
- 106 As the current lead agency for MIQ, MBIE is responsible for the overall delivery of MIQ, including responsibility and accountability for day-to-day management and operation of the MIQ facilities. MBIE also provides a range of other functions within the MIQ operating model including managing the fees, waivers, exemptions, allocations, management and governance, communications, legal, policy, finance, health and safety and risk assurance.
- 107 As the MIQ footprint reduces, I expect to see a reduction in the national MBIE MIQ workforce, alongside that of partner agencies. The expected quantum of change required to achieve the transition approach, however, will mean that reduction of MBIE workforce will not be specifically in line with the reduced scale of MIQ facilities. Any reduction in MBIE MIQ workforce will need to balance the reduction in operational scale with the criticality of continuing core operations, and managing multiple changes both in evolving policy and operational settings, and the facility transitioning processes.
- 108 We also need to retain sufficient capacity to offset the replacement of NZDF at regional and national levels (see paragraph 87), and to take on the support functions (e.g. HR and rostering) that are currently managed by NZDF from NZDF's head office.
- 109 The transition process (see following section) is expected to generate additional work. The withdrawal of NZDF, if supported by Cabinet, will also mean an initial increase in MBIE employed or contracted workforce. In addition, it is important that the MBIE MIQ workforce retain sufficient expertise and experience in its workforce built up over the last two years, in order to remain responsive and be able to pivot towards the future national quarantine system as it is established. I also anticipate that it will become increasingly challenging to recruit and retain staff as MIQ scales down, particularly if only short-term contracts are offered.
- 110 Accordingly, the total MBIE funding request includes \$228.927 million (an increase from \$186.959 million in the 2021/22) for MBIE MIQ personnel and support costs and operational system costs. At the facility and regional level this is an increase of \$53.577 million that reflects the replacement of NZDF roles and at the national level this is a reduction of \$11.609 million compared to the current financial year.

Transition and management of change costs

- 111 Transitioning an MIQ facility out of MIQ takes at least three months from formal approval of the decision to the facility being ready for other use.

Commercial information

. The experience in transitioning facilities out of MIQ to date is that it is a resource intensive process that requires a significant amount of work.

- 112 Steps include:

112.1 Developing and implementing a decommissioning transition plan

112.2 Supporting facility, workforce, iwi, stakeholders and partner agencies

112.3 Managing contractual and commercial requirements

112.4 Physical decommissioning and remediation of the facility

- 113 The MBIE funding request includes \$13.583 million in funding to cover expected change management costs in 2022/23. This figure also includes costs related to managing the significant volume of change in MIQ through to June 2023. This includes funding that could be used to support recruitment and induction costs for replacing NZDF personnel, as well as funding for formal change processes should any redundancies be required.

MCA categories required for the fees regime

- 114 I am seeking \$30.300 million for the appropriation categories relating to the fees regime for 2022/23. This reflects that the proportion of people liable for MIQ fees is likely to reduce as the border opens up and MIQ continues to accommodate community cases who are not liable for fees, however we do not yet have certainty of what these volumes will look like. The appropriation accounts for any changes to credit terms (allowing for deferred payment) that will be treated as lending under the Public Finance Act 1989, fair value write down of expected credit losses for 2023 and likely impairment of debt for the backlog invoices that become due for debt collection in 2022/23.

Summary of MBIE funding requirement in 2022/23

115 In total, I am seeking \$569.462 million for MBIE to operate MIQ in 2022/23 as summarised below. This funding requested is aligned with the Moderate Transition Approach (my preferred approach)

Activity Area	Description	Funding appropriated for 2021/22 (\$m)	Funding sought for 2022/23 (\$m)
Service Delivery			
Hotel and facility costs	External supplier costs for provision of MIQ facilities	616.038	275.474
Transportation costs	External supplier costs for transportation (land and air) of people to facilities	47.525	32.411
Ventilation, maintenance & remediation costs	Upgrading facility ventilation standards to meet IPC requirements	0	2.350
Operational support			
Operations service delivery	Personnel and support to operate facilities and regional operations (including the replacement of NZDF costs*)	60.887	114.464
National Operations support	Personnel and support to operate national services including fees, waivers, exemptions, allocations, management and governance, communications, policy, legal, finance, health and safety and risk assurance	69.501	59.721
	Transition and management of change	15.216	13.583
Operational systems	Maintain digital platforms (MIAS, release & waiver forms, case management system and workforce planning tools)	41.355	41.159
Fees regime appropriation categories			
Lending (capex)	Appropriation required for loans invoiced	96.727	10.000
Fair value of loans	Recognition of concessionary value of loans	32.620	2.000
Loan impairment	Recognition loan impairments	2.400	18.300
Total funding sought for MBIE		\$982.269	\$569.462
Total Operating		\$885.542	\$559.462
Total Capital		\$96.727	\$10.000

* The NZDF withdrawal will also incur additional costs in 2021/22 of approximately \$36 million. MBIE anticipates that it will be able to absorb this within its existing MCA.

Financial and other implications of the Accelerated Transition Approach

- 116 If Cabinet opts for a faster reduction in MIQ capacity than the Moderate Transition Approach, this could be achieved within the calendar year, reducing MIQ’s capacity to 1,300 rooms by December 2022 [Accelerated Transition Approach].
- 117 This Accelerated trajectory would see MIQ decrease its capacity by 25 facilities and approximately 4,500 rooms within a 6 month period). This scale of reduction and number of parallel decommissioning processes would be significant, and would be particularly resource intensive.
- 118 This option would serve to limit our ability to cater for increases in volumes of higher-risk profile travellers or community cases should the situation internationally or domestically shift following border re-opening and the New Zealand winter during the latter half of 2022.
- 119 The speed and scale is also likely to raise local industry and community concerns in terms of workforce implications, and the exiting of significant numbers of hotels back into the commercial market ahead of the re-building of the international tourism and conference market. This may also undermine the strength of relationships we have with these hotels, limiting our ability to re-engage for surge in the future should we need to.
- 120 The cost implications of the Accelerated Transition Approach compared to the Moderate Transition Approach are described below. Cost reductions would be realised in the hotel and facility costs, transportation and workforce costs.

		Moderate Transition	Accelerated Transition
Cost component (\$m)	2021/22 funding provided (\$m)	Funding sought for 2022/23 (\$m)	Funding sought for 2022/23 (\$m)
Hotels and facility costs	616.038	275.474	221.080
Transportation costs	47.525	32.411	30.094
Ventilation, maintenance and remediation costs	-	2.350	2.350
Workforce costs (including MBIE and partner agency costs)	293.964	271.695	213.779
Other costs including ICT, MIAS, legal	41.355	41.159	41.159
MCA categories required for fees regime	131.747	30.300	26.300
Total	\$1,130.629	\$653.389	\$534.762

*The fees regime appropriation is largely driven by the impairment of debt category (which will not be impacted by the scale of MIQ), and hence the Moderate Transition and Accelerated Transition figures are not substantially different.

***Police is also seeking \$9.908 million for 2021/22.

Impact of scaling down on the 2021/22 appropriation

121 Both the Moderate and Accelerated Transition Approaches would see the MIQ network reduce to approximately 24 facilities and 4,400 rooms by July 2022 (reduction of 8 facilities and approximately 1,400 rooms within a 6 month period). The MIQ network reduction is expected to save \$73 million in 2021/22. However, I anticipate these savings will in part be offset by costs associated with decommissioning facilities (paragraphs 111-113), costs relating to the NZDF withdrawal (paragraph 87), 2021/22 cost pressures (e.g. air filtration and remediation costs, additional security required to support an increase in the number of Quarantine facilities) and other emerging priorities in 2021/22. Any underspend will be returned to the Crown or carried forward to 2022/23.

Legislative Implications

122 There are no legislative implications arising from this proposal.

Impact Analysis

Regulatory Impact Statement

123 As there are no legislative implications arising from this proposal, a Regulatory Impact Statement is not required.

Climate Implications of Policy Assessment

124 There are no climate implications of this proposal.

Population Implications

125 The proposal means that MIQ facilities will continue to be located in Auckland, Waikato, Rotorua, Wellington and Christchurch for the immediate future. While many Auckland facilities may be phased out, it is expected that most of the facilities with quarantine capacity will remain in Auckland in the short to medium-term, where the majority of New Zealand's population resides. This may continue to impact vulnerable populations in these areas if COVID-19 gets out into the community from MIQ facilities, particularly in Auckland as the current outbreak is demonstrating.

126 Over 60 percent of the Pacific population, and nearly a quarter of the Māori population in New Zealand live in Auckland, which means Māori and Pacific peoples have a higher risk of being exposed to COVID-19 spread from MIQ facilities into the community. This has been demonstrated through the latest Delta outbreak, where a large number of the cases have been Pacific and Māori. Reducing the MIQ footprint especially in Auckland CBD will mitigate some of these risks.

- 127 MIQ can be an important, and at times safer option for vulnerable populations. For example, Māori and Pacific populations are overrepresented among people with insecure or crowded housing, or may live in multi-generational homes which may be unsuitable for home quarantine. It can also be a safer option for victims of family violence, who are more likely to be women.
- 128 Māori are also more vulnerable to contracting COVID-19 due to inequitable COVID-19 vaccination rates between Māori and other ethnicities. They are also at increased risk of severe COVID-related infections, hospitalisation, requiring ICU care, and death.
- 129 Pacific peoples are at risk of contracting COVID-19 given they are over-represented in front-line roles and often have underlying health conditions and co-morbidities. The risk is also greater as the current eligibility criteria for vaccination results in exclusion of roughly 1/3 of the Pacific population, as they are under 12 years of age.
- 130 For rural populations, MIQ would be less likely to be available as an escalation point as they will be located in central locations. However, the COVID-19 Care in the Community model enables home quarantine which reduces the need to travel far from people's support networks; and offers support by telehealth where available.
- 131 Disabled people may be at higher risk of severe COVID-19 infections, and may face risks of contracting COVID-19 if they live in areas close to the proposed MIQ footprint. As noted above, the overall reduced footprint and higher quarantine standard will mitigate these risks.

Human Rights

132

Legal professional privilege

133



Consultation

- 134 The following agencies were consulted on aspects of this Cabinet paper, namely: Ministry of Health, Department of Prime Minister and Cabinet, New Zealand Police, NZDF, AvSec, Ministry of Transport and Treasury.

Communications

- 135 A comprehensive communications plan will be developed consistent with Cabinet's direction.

Proactive Release

- 136 We intend to proactively release this paper and its associated minute within the standard 30 business days from the decision being made by Cabinet, with any appropriate redaction where information would have been withheld under the Official Information Act 1982.

Recommendations

The Minister for COVID-19 Response recommends that the Committee:

- 1 **Note** that a cautious and considered approach is needed to respond to the changing environment of COVID-19, given the need to remain responsive to emerging threats such as new variants;
- 2 **Note** that this cautious and considered approach will include regular review of demand, and scope to speed up the planned transition approach Commercial information
- 3 **Note** that although the implementation of the medium-risk pathway and evolving model of care for COVID-19 patients in the community are expected to significantly reduce demand for MIQ, the exact scale and timing of this reduction is currently unknown and the MIQ system requires sufficient flexibility to accommodate unexpected demand;
- 4 **Agree** that MIQ will have an ongoing but smaller role in the COVID-19 response over the next 18 months;
- 5 **Note** that the MIQ network is currently funded through until June 2022, Negotiations
- 6 **Note** that funding decisions are needed now to secure the short term stability of a reduced MIQ network, to ensure it can meet current and emerging needs;
- 7 **Note** the proposed Moderate Transition Approach, which would see:
 - 7.1 Reduction to approximately 24 facilities and 4,400 rooms by July 2022;
 - 7.2 Reduction to approximately seven facilities and about 1,300 rooms by June 2023;

- 8 **Note** that a total of \$653.389 million is required to deliver a scaled-down MIQ in 2022/23 according to the Moderate Transition Approach;
- 9 **Agree** to scale down MIQ capacity by June 2023 through the proposed Moderate Transition Approach;
- 10 **Note** that MBIE will engage with facilities after funding is confirmed to progress the development of the transition plan;
- 11 **Note** that the Minister for COVID-19 Response will work with MBIE to finalise the operational detail of the transition plan early next year;
- 12 **Note** that an alternative transition approach which would see an accelerated network reduction has been developed, but that I do not consider this approach will provide us with the flexibility we need to respond the emergence of new threats in 2022;
- 13 **Note** Cabinet is also considering a paper setting out the steps required now to develop a stable, flexible and enduring quarantine system through the companion Cabinet paper: *A national quarantine system: decisions about quarantine options for the ongoing COVID-19 response and for future pandemic preparedness*;

Workforce

- 14 **Note** that in December 2020, Cabinet noted that MBIE, in conjunction with other partner agencies, would look to develop a plan for further normalisation of MIQ operations; in particular to reduce the support required from other agencies where possible [CAB-20-MIN-0511];
- 15 **Note** that the MIQ workforce is currently comprised of staff from the following agencies: MBIE, NZDF, Police, Aviation Security and the Ministry of Health;
- 16 **Note** that the ongoing deployment to MIQ presents particular risks to NZDF, who have roughly 10 percent of their workforce tied up in MIQ at any one time;
- 17 **Agree** to a phased withdrawal of NZDF from MIQ, subject to confirmation of funding;
- 18 **Agree** that NZDF's exit be prioritised over that of other agencies;
- 19 **Note** that to enable NZDF to transition out of MIQ, MBIE will need to incur additional costs to cover the recruitment of replacement personnel;

20 **Agree** to either:

20.1 **Option one:** provide \$93.84 million to allow MBIE to recruit a MIF management workforce sufficient to staff 16 MIQ facilities (the proposed December 2022 network size), and MBIE security officers to staff 7 facilities (the proposed June 2023 network size). AvSec and Private Security personnel will be utilised to cover security functions in place of NZDF from January-June 2023 while MBIE continues the transition out of the remaining 9 facilities down to the 7 facilities envisioned by June 2023;

20.2 **Option two:** provide \$118.67 million to allow MBIE to recruit up to a workforce sufficient to staff 16 MIQ facilities across both MIF management and security workforces (the proposed December 2022 network size), with minimal uplift in private security;

21 **Note** that both options will also incur additional costs in 2021/22 of approximately \$36 million. MBIE anticipates that it will be able to absorb this within its existing MCA;

22 **Note** that I will instruct MBIE officials to investigate and report back to me on options (including certification options) to attract and retain security personnel within the context of the wider public sector in 2022;

Financial recommendations for the Moderate Transition Approach

MBIE – financial recommendations (based on NZDF withdrawal option two)

23 **Note** that MBIE is seeking \$569.462 million funding in total for delivering the MIQ operating model until the end of June 2023;

24 **Note** that this funding includes \$118.67 million to support the NZDF withdrawal (recommendation 20.2 above);

25 **Approve** the following changes to appropriations to provide for and give effect to the policy and recommendations above, with a corresponding impact on the operating balance and net core Crown debt;

	\$m – increase /(decrease)				
Vote Building and Construction	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance and Net Core Crown Debt Impact		539.162			
Operating Balance Impact Only		20.300			
Net Core Crown Debt Impact Only		10.000			
No Impact		-			
Total		569.462			

IN CONFIDENCE

	\$m – increase /(decrease)				
Vote Building and Construction Minister for COVID-19 Response	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Multi-Category Expenses and Capital Expenditure: Isolation and Quarantine Management MCA					
Departmental Output Expenses: Operational Support (funded by revenue Crown)	-	228.927	-	-	-
Non-departmental Output Expenses: Delivery of Services	-	310.235	-	-	-
Non-departmental Other Expenses: Managed Isolation and Quarantine loans - fair value write-down	-	2.000	-	-	-
Non-departmental Other Expenses: Managed Isolation and Quarantine loans - Impairment of debt	-	18.300	-	-	-
Non-Departmental Capital Expenditure: Managed Isolation and Quarantine Loans	-	10.000	-	-	-
Total Operating	-	559.462	-	-	-
Total Capital	-	10.000	-	-	-

26 **Agree** that any under-expenditure in the Isolation and Quarantine Management multi-category appropriation for MIQ be carried forward to the following financial year to recognise the uncertain timing of subsequent expenditure, with the final amount to be transferred confirmed as part of the baseline update process following the presentation of MBIE’s audited financial statements;

27 **Note** that funding is ring-fenced to MIQ and cannot be transferred to other appropriations, and that once MIQ winds down, any remaining funding is to be returned to the Crown;

NZDF financial recommendations

28 **Note** that the salary costs of Regular Force personnel is funded within current Vote Defence Force baseline;

Police financial recommendations

29 **Note** that Police seeks \$9.908 million in 2021/22 and \$23.838 million in 2022/23 to cover its deployment to MIQ;

30 **Approve** the following changes to appropriations to provide Vote Police with MIQ costs, with a corresponding impact on the operating balance and net core Crown debt:

Vote Police Minister of Police	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Policing Services (MCA)					
<i>Departmental Output Expenses</i>					
Crime Prevention (funded by Revenue Crown)	2.160	5.197	-	-	-
Primary Response Management (funded by Revenue Crown)	6.371	15.328	-	-	-
Investigations and Case Resolution (funded by Revenue Crown)	1.377	3.313	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Policing Services (MCA)	9.908	23.838	-	-	-
Total Operating	9.908	23.838	-	-	-

31 **Note** that, given Police funding through this paper is medium-term, Police will need to manage any workforce issues when this funding expires at the end of June 2023 through baselines;

Ministry of Health financial recommendations

32 **Note** that Health seeks \$43.199 million funding to cover the cost of Health services for the MIQ system until the end of June 2023;

33 **Approve** the following changes to appropriations to provide Vote Health with MIQ costs, with a corresponding impact on the operating balance and net core Crown debt;

	\$m – increase /(decrease)				
Vote Health Minister for COVID-19 Response	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Multi-Category Expenses and Capital Expenditure: National response to COVID-19 across the health sector MCA Non-Departmental Output Expense: COVID-19 Public Health Response		43.199			
			-	-	-

AvSec financial recommendations

34 **Note** that additional funding of \$16.89 million is sought through Vote Transport to meet the full cost of providing 156 AvSec personnel to MIQ until the end of June 2023;

35 **Approve** the following changes to appropriations to provide Vote Transport with Managed Isolation and Quarantine costs, with a corresponding impact on the operating balance and net core Crown debt:

I N C O N F I D E N C E

Vote Transport Minister of Transport	\$m – increase /(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Non- Departmental Output Expense: Protection of Transport Sector Agency Core Functions	-	16.890			

36 **Note** that this funding will be treated as a separate component within the existing Protection of Transport Sector Agency Core Functions multi-year appropriation, to provide transparency;

Recommendations in relation to all above appropriation changes

37 **Agree** that the proposed changes to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

38 **Agree** that the changes to all appropriations and capital expenditure in the recommendations above be charged to the COVID-19 Response and Recovery Fund established as part of Budget 2021;

39 **Direct** the Ministry of Business, Innovation and Employment, Ministry of Transport, New Zealand Police and Ministry of Health to ensure they can separately report on how much of this funding has been spent, forecast expenditure and progress against key milestones; at least quarterly;

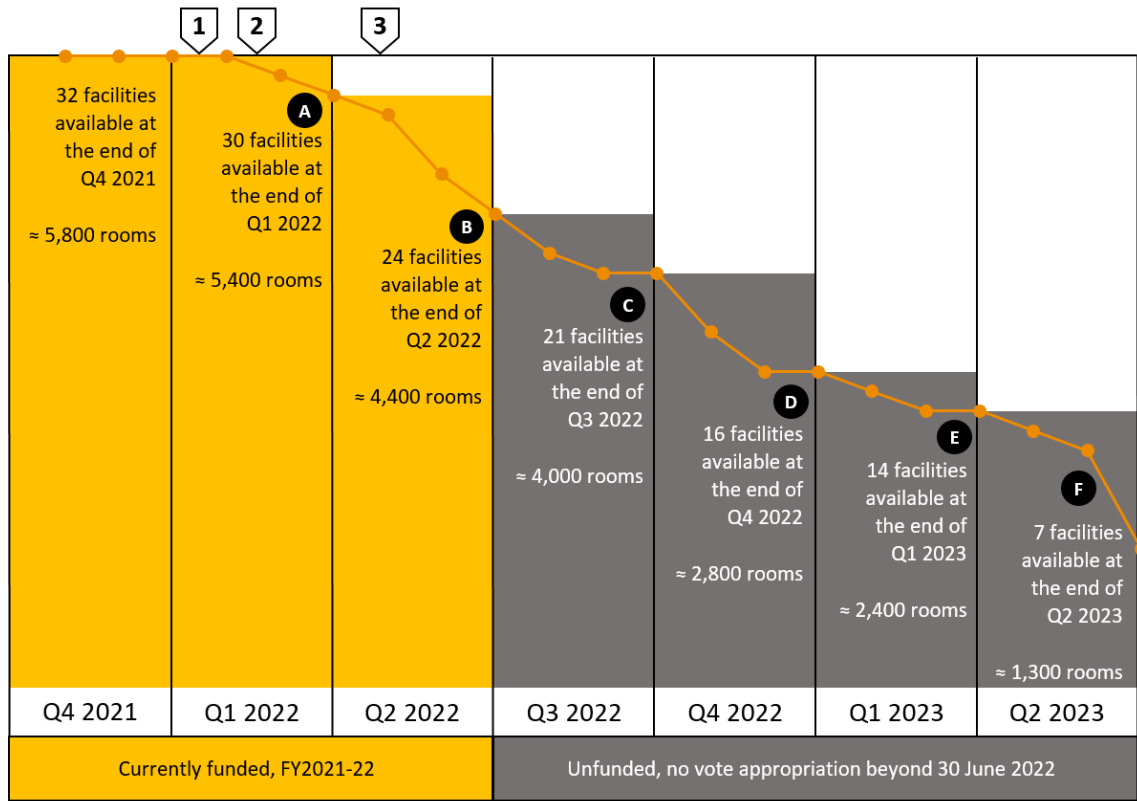
40 **Note** there are no legislative implications of this proposal.

Authorised for lodgement

Hon Chris Hipkins

Minister for COVID-19 Response

Appendix One: Moderate Transition Approach for reduction in MIQ facilities (Recommended)



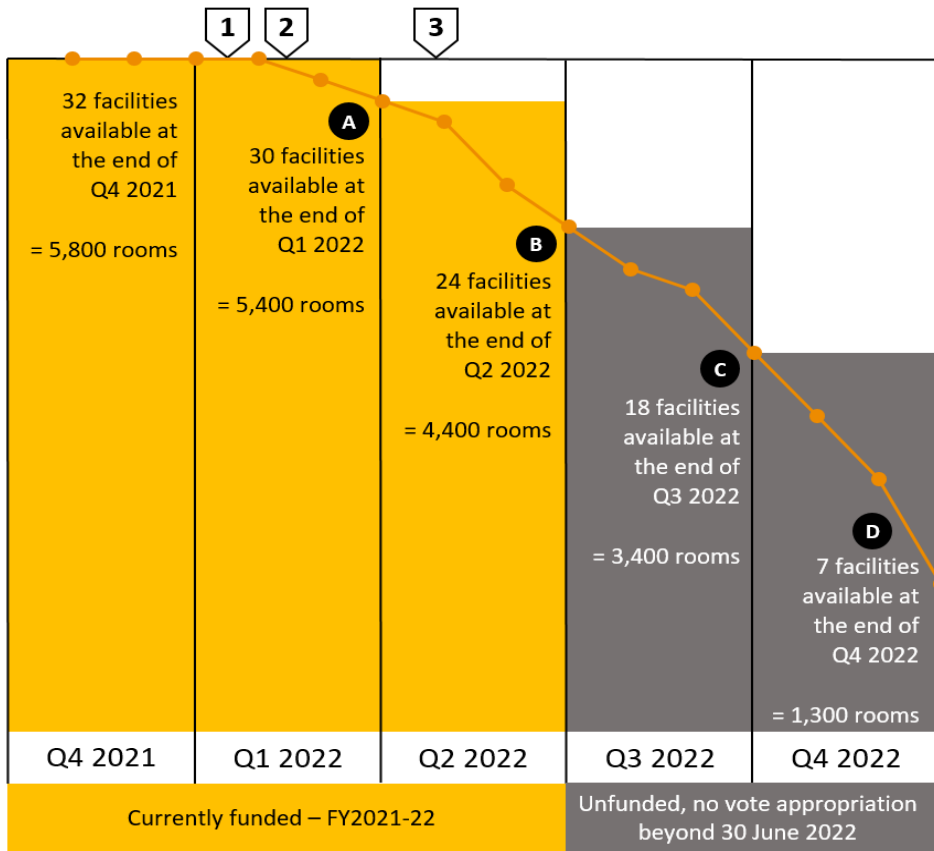
1 16 January 2022:
 NZ citizens and residents, and other travellers eligible under current restrictive border settings, *arriving from Australia*.

2 13 February 2022:
 NZ citizens and residents, and other travellers eligible under current restrictive border settings, *arriving from all but higher risk countries*

3 30 April 2022 onwards:
 All other foreign nationals *arriving from all but higher risk countries*.

- Transition Approach**
- A. Initial capacity reductions occur in early 2022 via one scheduled and one early exit.
 - B. By the end of FY21/22, eight facilities have come offline, representing an initial withdrawal from all geographic locations and the impact of border settings (aircrew self-isolate).
 - C. During Q3 2022, the MIQ footprint in Auckland and Christchurch CBDs is further reduced.
 - D. By the end of the 2022 calendar year, the MIQ network is weighted towards facilities proximate to Auckland and Christchurch airports and maintaining regional coverage.
 - E. Further reduction in Auckland and Christchurch capacity occurs, completing the exit from the Auckland CBD.
 - F. By the end of FY22/23, the remaining network is made up of seven facilities with residual coverage across MIQ's original geographic footprint.

Appendix Two: Accelerated Transition Approach for reduction in MIQ facilities



1 **16 January 2022:** NZ citizens and residents, and other travellers eligible under current restrictive border settings, arriving from Australia.

2 **14 February 2022:** NZ citizens and residents, and other travellers eligible under current restrictive border settings, arriving from all but higher risk countries

3 **30 April 2022 onwards:** All other foreign nationals arriving from all but higher risk countries.

Transition Approach

This model shows a faster pace of reduction from 1 July 2022 onwards, with the reduction down from 24 to seven facilities achieved in two quarters instead of four.

- A. Initial capacity reductions occur in early 2022 via one scheduled and one early exit.
- B. By the end of FY21/22, eight facilities have come offline, representing an initial withdrawal from all geographic locations and the impact of border settings (aircrew self-isolate).
- C. During Q3 2022, the MIQ footprint in Auckland and Christchurch CBDs is further reduced, plus a further reduction in Hamilton based capacity.
- D. Further reduction in Auckland and Christchurch capacity occurs, completing the exit from the Auckland CBD. By the end of FY22/23, the remaining network is made up of seven facilities with residual coverage across MIQ's original geographic footprint.



Cabinet Social Wellbeing Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Maintaining MIQ in the Short-Term

Portfolio **COVID-19 Response**

On 8 December 2021, the Cabinet Social Wellbeing Committee:

- 1 **noted** that a cautious and considered approach is needed to respond to the changing environment of COVID-19, given the need to remain responsive to emerging threats such as new variants;
- 2 **noted** that the cautious and considered approach will include regular review of demand, and scope to speed up the planned transition approach **Commercial information**
- 3 **noted** that although the implementation of the medium-risk pathway and evolving model of care for COVID-19 patients in the community are expected to significantly reduce demand for MIQ, the exact scale and timing of this reduction is currently unknown and the MIQ system requires sufficient flexibility to accommodate unexpected demand;
- 4 **agreed** that MIQ will have an ongoing but smaller role in the COVID-19 response over the next 18 months;
- 5 **noted** that the MIQ network is currently funded through until June 2022, **Negotiations**
- 6 **noted** that funding decisions are needed to secure the short-term stability of a reduced MIQ network, to ensure it can meet current and emerging needs;
- 7 **noted** the proposed Moderate Transition Approach outlined in the paper under SWC-21-SUB-0215, which would see:
 - 7.1 reduction to approximately 24 facilities and 4,400 rooms by July 2022;
 - 7.2 reduction to approximately seven facilities and about 1,300 rooms by June 2023;
- 8 **noted** that a total of \$653.389 million is required to deliver a scaled-down MIQ in 2022/23 according to the Moderate Transition Approach;
- 9 **agreed** to scale down MIQ capacity by June 2023 through the proposed Moderate Transition Approach;
- 10 **noted** that the Ministry of Business, Innovation and Employment (MBIE) will engage with facilities after funding is confirmed to progress the development of the transition plan;

- 11 **noted** that the Minister for COVID-19 Response (the Minister) will work with MBIE to finalise the operational detail of the transition plan early next year;
- 12 **noted** that an alternative transition approach, which would see an accelerated network reduction, has been developed but the Minister does not consider this approach will provide the flexibility needed to respond the emergence of new threats in 2022;
- 13 **noted** that Cabinet is also considering a companion paper *A National Quarantine System: Options for the ongoing COVID-19 Response and Future Pandemic Preparedness* [SWC-21-SUB-0214] setting out the steps required to develop a stable, flexible and enduring quarantine system;

Workforce

- 14 **noted** that in December 2020, Cabinet noted that MBIE, in conjunction with other partner agencies, would look to develop a plan for further normalisation of MIQ operations; in particular to reduce the support required from other agencies where possible [CAB-20-MIN-0511];
- 15 **noted** that the MIQ workforce is currently comprised of staff from MBIE, New Zealand Defence Force (NZDF), New Zealand Police (Police), Aviation Security (AvSec), and the Ministry of Health;
- 16 **noted** that the ongoing deployment to MIQ presents particular risks to NZDF, who have roughly 10 percent of their workforce tied up in MIQ at any one time;
- 17 **agreed** to a phased withdrawal of NZDF from MIQ;
- 18 **agreed** that NZDF's exit be prioritised over that of other agencies;
- 19 **noted** that to enable NZDF to transition out of MIQ, MBIE will need to incur additional costs to cover the recruitment of replacement personnel;
- 20 **agreed** to provide \$118.67 million to allow MBIE to recruit up to a workforce sufficient to staff 16 MIQ facilities across both managed isolation facility management and security workforces (the proposed December 2022 network size), with minimal uplift in private security;
- 21 **directed** officials to investigate and report back to the Minister on options (including certification options) for a security workforce within the wider public sector;
- 22 **noted** that the decision in paragraph 20 above will incur additional costs in 2021/22 of approximately \$36 million, which MBIE anticipates it will be able to absorb within its existing Multi-Category Appropriation (MCA);

Financial recommendations for the Moderate Transition Approach

MBIE

- 23 **noted** that MBIE is seeking \$569.462 million funding in total for delivering the MIQ operating model until the end of June 2023;
- 24 **noted** that the funding sought below includes \$118.67 million for the work agreed in paragraph 20 above;

25 **approved** the following changes to appropriations to provide for and give effect to the decisions above, with a corresponding impact on the operating balance and net core Crown debt;

	\$m – increase /(decrease)				
Vote Building and Construction Minister for COVID-19 Response	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance and Net Core Crown Debt Impact		539.162			
Operating Balance Impact Only		20.300			
Net Core Crown Debt Impact Only		10.000			
No Impact		-			
Total		569.462			
Vote Building and Construction Minister for COVID-19 Response					
Multi-Category Expenses and Capital Expenditure:					
Isolation and Quarantine Management MCA					
Departmental Output Expenses:					
Operational Support (funded by revenue Crown)	-	228.927	-	-	-
Non-departmental Output Expenses:					
Delivery of Services	-	310.235	-	-	-
Non-departmental Other Expenses:					
Managed Isolation and Quarantine loans - fair value write-down	-	2.000	-	-	-
Non-departmental Other Expenses:					
Managed Isolation and Quarantine loans - Impairment of debt	-	18.300	-	-	-
Non-Departmental Capital Expenditure:					
Managed Isolation and Quarantine Loans	-	10.000	-	-	-
Total Operating	-	559.462	-	-	-
Total Capital	-	10.000	-	-	-

- 26 **agreed** that any under-expenditure in the Isolation and Quarantine Management MCA for MIQ be carried forward to the following financial year to recognise the uncertain timing of subsequent expenditure, with the final amount to be transferred confirmed as part of the baseline update process following the presentation of MBIE’s audited financial statements;
- 27 **noted** that the above funding is ring-fenced to MIQ and cannot be transferred to other appropriations, and that once MIQ winds down, any remaining funding is to be returned to the Crown;

NZDF

- 28 **noted** that the salary costs of Regular Force personnel are funded within current Vote Defence Force baseline;

Police

- 29 **noted** that Police seeks \$9.908 million in 2021/22 and \$23.838 million in 2022/23 to cover its deployment to MIQ;
- 30 **approved** the following changes to appropriations to provide Vote Police with MIQ costs, with a corresponding impact on the operating balance and net core Crown debt:

Vote Police Minister of Police	\$m - increase/(decrease)				2025/26& Outyears
	2021/22	2022/23	2023/24	2024/25	
Multi-Category Expenses and Capital Expenditure: Policing Services (MCA) <i>Departmental Output Expenses</i>					
Crime Prevention (funded by Revenue Crown)	2.160	5.197	-	-	-
Primary Response Management (funded by Revenue Crown)	6.371	15.328	-	-	-
Investigations and Case Resolution (funded by Revenue Crown)	1.377	3.313	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Policing Services (MCA)	9.908	23.838	-	-	-
Total Operating	9.908	23.838	-	-	-

- 31 **noted** that if the requirement for Police MIQ provisioning extends beyond 2023/24, an extension of funding will be sought;

Ministry of Health

- 32 **noted** that the Ministry of Health seeks \$43.199 million funding to cover the cost of Health services for the MIQ system until the end of June 2023;
- 33 **approved** the following changes to appropriations to provide Vote Health with MIQ costs, with a corresponding impact on the operating balance and net core Crown debt;

	\$m – increase /(decrease)				
Vote Health Minister for COVID- 19 Response	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Multi-Category Expenses and Capital Expenditure: National response to COVID-19 across the health sector					
MCA Non-Departmental Output Expense:			-	-	-
COVID-19 Public Health Response		43.199			

AvSec

- 34 **noted** that additional funding of \$16.89 million is sought through Vote Transport to meet the full cost of providing 156 AvSec personnel to MIQ until the end of June 2023;
- 35 **approved** the following changes to appropriations to provide Vote Transport with MIQ costs, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase /(decrease)				
Vote Transport Minister of Transport	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Non- Departmental Output Expense: Protection of Transport Sector Agency Core Functions	-	16.890			

- 36 **noted** that the above funding will be treated as a separate component within the existing Protection of Transport Sector Agency Core Functions multi-year appropriation, to provide transparency;

Recommendations in relation to all above appropriation changes

- 37 **agreed** that the changes to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 38 **agreed** that the changes to all appropriations and capital expenditure above be charged to the COVID-19 Response and Recovery Fund established as part of Budget 2021;

- 39 **directed** MBIE, Ministry of Transport, Police, and Ministry of Health to ensure they can separately report on how much of the above funding has been spent, forecast expenditure and progress against key milestones; at least quarterly;
- 40 **noted** that there are no legislative implications in the above proposals.

Rachel Clarke
Committee Secretary

Present:

Rt Hon Jacinda Ardern
Hon Grant Robertson
Hon Kelvin Davis
Hon Dr Megan Woods
Hon Chris Hipkins
Hon Carmel Sepuloni (Chair)
Hon Andrew Little
Hon Poto Williams
Hon Kris Faafoi
Hon Peeni Henare
Hon Jan Tinetti
Hon Dr Ayesha Verrall
Hon Aupito William Sio
Hon Meka Whaitiri
Hon Priyanca Radhakrishnan

Officials present from:

Office of the Prime Minister
Office of the Chair
Officials Committee for SWC