



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>

Information redacted**YES**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the following reasons:

- Negotiations
- Commercial information
- Legal professional privilege
- Free and Frank Opinions

Please note, the funding request and transition approach agreed to in *Maintaining MIQ in the short-term* have been taken over by the paper considered in *Options for Accelerating MIQ Network Transition*. Some of the funding will be returned and this amount will be confirmed in the October baseline update.

Sensitive

Office of the Minister for COVID-19 Response

Social Wellbeing Committee (Power to Act)

Options for Accelerating MIQ Network Transition

Proposal

- 1 This paper proposes that the Managed Isolation and Quarantine (MIQ) Moderate Transition Approach agreed by Cabinet in December 2021 is accelerated, due to significant changes in COVID-19 border and community settings.
- 2 In addition to the seven facilities that I have already agreed to decommission in line with the Moderate Transition Approach, this paper recommends that a further 13 facilities be decommissioned as soon as possible. Three options for the size of the remaining MIQ network from 1 July 2022 are proposed: retain 11 facilities with contracts expiring between September-December 2022, only retain three or four facilities until December 2022, or retain none.

Relation to Government priorities

- 3 This paper supports the Government's ongoing response to COVID-19, in line with Reconnecting New Zealanders with the World (RNZ) and the three-phase Omicron response.

Executive Summary

- 4 A number of significant policy decisions have been made since Cabinet's agreement to the Moderate Transition Approach on 8 December 2021. These decisions have seen demand for MIQ from the border almost disappear over the last week.
- 5 Steps have already been taken to reduce the MIQ network in line with the Moderate Transition Approach agreed by Cabinet, with seven facilities to be decommissioned before 30 June 2022. One facility has instigated its own exit from the MIQ network.
- 6 I propose that a further 13 facilities be decommissioned from the MIQ network as soon as possible by [redacted] Commercial information [redacted]
- 7 This will leave 11 facilities in the MIQ network supporting any residual demand for MIQ from the border and community until their current contracts end on 30 June 2022.

- 8 We have to make a decision on the size of the MIQ network from 1 July 2022 now, given the time needed to negotiate any contract extensions and undertake required workforce change processes:
- 8.1 **Option One:** Retain a distributed presence across the country by extending the contracts of up to 11 facilities with staggered exits over September-December 2022, while retaining clauses which enable early exit through a notice period.
- 8.2 **Option Two:** Consolidate the network into three or four facilities in Auckland and Christchurch, [REDACTED] Commercial information [REDACTED]
- 8.3 **Option Three:** Decommission all facilities by 30 June 2022. Facilities would cease taking border arrivals or community cases by the end of May, at the latest.
- 9 Under all three options there would be no MIQ facilities after December 2022, unless Cabinet or delegated Ministers took decisions later this year to extend the remaining contracts.
- 10 Our decisions will have a range of significant impacts on the MIQ workforce, its partner agencies, and providers. Contract notice periods will need to be issued, and workforce change processes pursued.
- 11 Decisions taken today about the downscaling of the MIQ network may need to be revisited in the coming months depending on future policy decisions and/or changes in demand.
- 12 Accordingly, I propose that future decisions on the nature and scale of the MIQ network – within the funding allocation provided by Cabinet – be delegated to the Minister of Finance and the Minister for COVID-19 Response, in consultation with the Prime Minister and the Minister of Health.

Background

The current MIQ network is contracted until June 2022

- 13 There are currently 32 facilities in the MIQ network, located across five cities: Auckland, Hamilton, Rotorua, Wellington, and Christchurch.
- 14 These facilities rely on time-limited contracts with hotels. All contracts expire on 30 June 2022, except for the Rydges Auckland which has instigated its own exist in April [REDACTED] Commercial information [REDACTED]

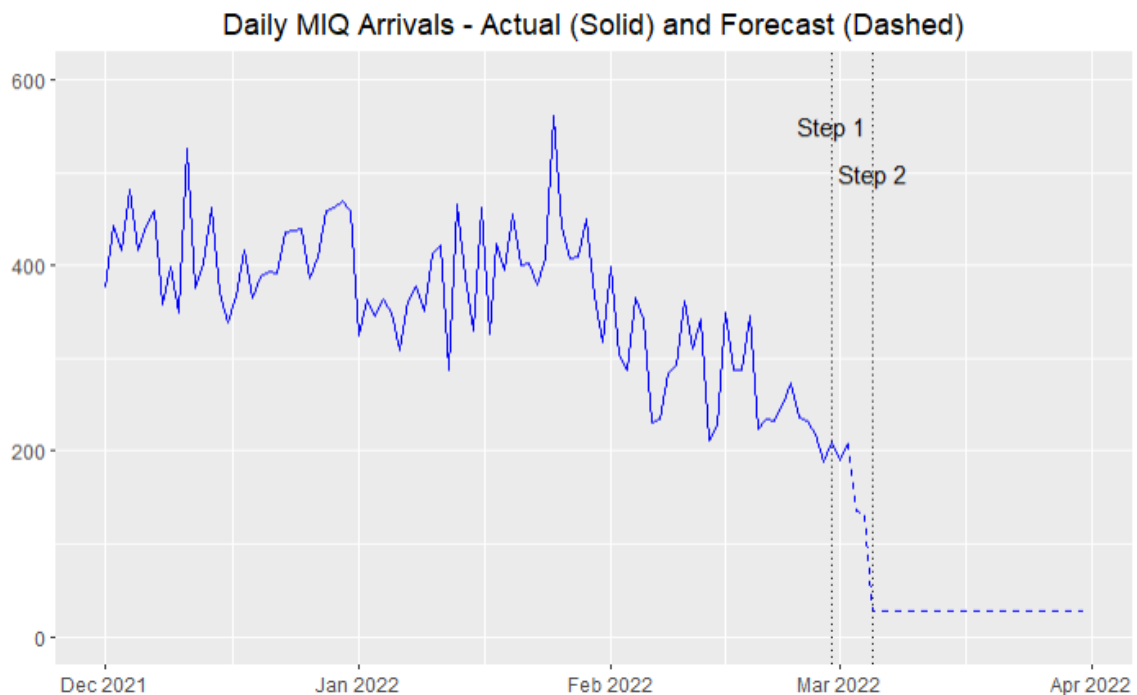
MIQ now has a very limited role in New Zealand's COVID-19 response

- 15 MIQ was established as a border-based public health measure to keep COVID-19 out of the community.

- 16 To date, MIQ has been a core and critical intervention which has kept New Zealand safe. It has managed the risk of COVID-19 posed by nearly 230,000 people entering at the border. It has also served as an escalation point for over 3,600 cases from the community.
- 17 MIQ is no longer the main intervention for managing risk at the border, or a core intervention for managing risk within the community. People who enter MIQ constitute marginal cases.

Border demand is almost non-existent

- 18 The implementation of Steps 1 and 2 of RNZ at 11.59pm on 27 February and 4 March has reduced demand for MIQ at the border by approximately 95%. MIQ room releases via the Managed Isolation Allocation System (MIAS) lobby following the 1 February announcement on revised RNZ timeframes saw 75% and 94% of rooms (on 17 and 24 February, respectively) go unclaimed.
- 19 Demand for MIQ rooms has therefore reduced significantly since December 2021, as shown by Graph 1.



Graph 1: Actual daily MIQ arrivals from December 2021 and forecast MIQ arrivals from Step 2.

- 20 As of 7pm, Sunday 6 March, MIQ had a total of 242 people in their facilities of which half were community cases. 17 of 32 MIQ facilities were empty and a further 8 had less than 12 people in them and will be empty by the end of this week.
- 21 My officials expect that, if current border settings were to be retained, a maximum of 200 people per week (140 rooms) would be required to enter MIQ from Monday, 7 March. These people include:

SENSITIVE

- 21.1 Unvaccinated New Zealand citizens (that a number of key carriers to New Zealand require passengers to be vaccinated, at this juncture).
 - 21.2 Travellers who satisfy minimum vaccination requirements, but who do not meet vaccination requirements for the medium-risk pathway.¹
 - 21.3 Travellers with a certificate from a medical practitioner or an overseas-qualified medical practitioner verifying that, for medical reasons, the person should not be vaccinated.
 - 21.4 Travellers from jurisdictions where there is limited access to a COVID-19 vaccine, who apply for - and are granted - an exemption by the Director-General of Health.
 - 21.5 Travellers from very-high risk (VHR) countries (noting that no countries are currently designated as VHR).
 - 21.6 Refugees and some Afghanistan arrivals who otherwise satisfy the vaccination eligibility requirements of the medium-risk pathway (noting such people are allowed, rather than required, to enter MIQ, and this will be for a time-limited transitional period).
- 22 Recommended changes to vaccination requirements, which we are also considering today, would mean that MIQ demand at the border could drop to near zero.
 - 23 Should we agree to remove the requirement for citizens who do not meet the definition of fully vaccinated to enter MIQ (as proposed in my separate paper, *Reconnecting New Zealanders: Further changes to international border settings*), people at 21.1-21.4 would not be required to enter MIQ.
 - 24 The Director General has also agreed to tighten minimum vaccination requirements for non-New Zealand citizens arriving by air to align with the definition of 'fully vaccinated' (resolving the 'gap' at 21.2).
 - 25 Even if we agree to remove this requirement, people at 21.5 would still be required to enter MIQ. However, there are currently no VHR countries, and Ministry of Health (MOH) officials are providing RNZ Ministers with further advice on the future application of this category in the week of 21 March. Some refugees and arrivals from Afghanistan would still be allowed (rather than required) to enter MIQ for a time limited transitional period.

¹ To enter New Zealand, non-Citizens who are eligible to travel to New Zealand must have proof of having been fully vaccinated by a vaccine approved by at least 1 government health authority or approval authority (there are currently 33). To be eligible for the medium-risk pathway, people (including Citizens) must be fully vaccinated with a Medsafe or World Health Organization Emergency Use Listing approved vaccine (there are currently 10).

A small but steady number of community cases continue to enter MIQ facilities

- 26 We are also at a point in our response to COVID-19 where we are managing the spread of Omicron in our community, using alternative accommodation and in-community supports for the small number of cases who need it.
- 27 People may require alternative accommodation for a range of reasons, including because they live in overcrowded or transitional housing, have additional health-related vulnerabilities, or experience family violence.
- 28 MIQ continues to accept community cases or their household contacts as a final escalation point in Auckland, Hamilton, Wellington, and Christchurch where alternative accommodation options – under the purview of Care in the Community – have been exhausted. As of 7pm, Sunday 6 March, there were 120 community cases in MIQ facilities with a further 900 quarantine rooms available across the network.
- 29 In Rotorua, a 28-room community facility that can accommodate up to 78 people who need alternative accommodation has been established outside of the MIQ network by iwi.
- 30 Between 1 January and 1 March 2022, 680 community cases have entered MIQ, at an approximate average of 10.3 entries across the MIQ network per day. The overwhelming majority of cases are being managed in the community – as is, indeed, the focus of Omicron Phase Three.

We need to make and announce decisions about the future of MIQ urgently

- 31 We need to make urgent decisions about the scaling down of MIQ, and its workforce, given the significant drop in demand at the border. This is particularly urgent given that many of these facilities are in CBDs and 25 of them will be empty by the end of this week.
- 32 Decommissioning MIQ facilities will allow hotels to re-enter the market, following appropriate remediation and/or refurbishment. This will be a critical signal that New Zealand is reopening to the world.
- 33 We also need to provide ourselves with sufficient flexibility to manage a future, reduced, MIQ network, that can be urgently scaled up again if required to respond to a variant of significant concern. Noting that with our Reconnecting New Zealanders changes of the last week it is almost certain that any such variant will already be in the community before we have the opportunity to revise border settings.

Cabinet made initial decisions on the future of MIQ in December 2021

- 34 On 8 December 2021, Cabinet agreed to scale down MIQ capacity by June 2023 through the proposed Moderate Transition Approach. This Approach would:

- 34.1 Reduce the MIQ network to approximately 24 facilities and about 4,400 rooms by July 2022, and
- 34.2 Reduce the MIQ network to approximately seven facilities and about 1,300 rooms by June 2023 [CAB-21-MIN-0525 refers].
- 35 Cabinet provided funding to deliver this reduced network through 2022/23.²
- 36 When decisions were made on the Moderate Transition Approach, we noted that there was uncertainty about the scale and timing of a reduction in MIQ demand due to RNZ, and that the Care in the Community model was evolving.
- 37 While we considered a more aggressive downscaling of MIQ at the time (the Accelerated Transition Approach), our preference was to retain flexibility to accommodate the emergence of variants of concern (including Omicron), and surge MIQ capacity if needed (particularly during winter). We acknowledged that there would be significant wastage across the MIQ system in doing so.

National Quarantine Service

- 38 On December 8, Cabinet also agreed to the development of two Detailed Business Cases (DBC) focussed on securing quarantine capacity for the tail end of COVID-19 by upgrading existing MIQ infrastructure (DBC 1), and into the future via Confidential advice to Government (DBC 2) [CAB-21-MIN-0525 refers].
- 39 Cabinet noted that DBC 1 would be delivered in early 2022. We also noted that the progression of DBC 2 was subject to its scope being confirmed by the Minister of Finance, Minister for COVID-19 Response, and Minister of Health in early 2022, ahead of its delivery in the second quarter of 2022.

I have directed MBIE to commence decommissioning seven facilities, and one facility has instigated its own exit

- 40 On 21 February, I agreed that MBIE commence decommissioning seven MIQ facilities, in line with the Moderate Transition Approach. I also noted the departure of one further facility that has instigated its own exit from the network.
- 41 The decommissioning of these eight facilities will result in a reduction of **1615 MIQ rooms**, or 27% of total network capacity by mid-June.

² Facilities intended to be in place through to June 2023 have been funded for the full 2022/23 financial year, except for the two facilities expected to be funded through Detailed Business Case 1. Additionally, partial year funding was provided for the 17 facilities that were to be gradually decommissioned over the course of 2022/23.

Further reductions need to be made to the MIQ network by 30 June 2022

- 42 On 22 February, I directed officials to provide advice on accelerating the reduction of the remaining MIQ network (of 24 facilities) faster than the parameters agreed by Cabinet in December 2021.
- 43 This week 21 of the empty facilities will be deactivated (as is usual process between cohorts). Residual border demand has been consolidated into 3-4 facilities in Auckland and Christchurch. These facilities have not been cohorting since 6 March, due to the small number of border arrivals.
- 44 As I advised Cabinet last week, most New Zealand Defence Force (NZDF), health, and Aviation Security Service (AvSec) staff in deactivated facilities will be returned to their agencies as part of this consolidation process.
- 45 As changes in border and community settings have almost completely removed the requirement for people to enter MIQ, the continued presence of 24 facilities in our CBDs and communities may feel disproportionate to the phase we are currently in.
- 46 This is not to detract from the key role that these facilities have served in keeping New Zealanders safe in the past, but with Reconnecting New Zealanders well underway, such a visible border presence is no longer required.
- 47 I am also cognisant of the financial cost of empty facilities to the Crown, and its impact on the MIQ workforce, including those deployed from partner agencies who could most effectively be returned to regular duties.

I propose we decommission at least 13 of 24 remaining facilities by 30 June 2022

- 48 I propose that we decommission, at minimum, a further 13 of the remaining 24 facilities³ by 30 June 2022.
- 49 This will mean at least 21 facilities⁴ will have decommissioning processes underway imminently. The MIQ network as a whole could be reduced by 66% by 30 June 2022.
- 50 Decommissioning 21 facilities would result in at least 650 NZDF, 300 health (from MOH and District Health Boards [DHBs]), and 97 AvSec staff being returned to their home organisations for redeployment from mid-late March. The New Zealand Police have already recalled all 238 officers from MIQ facilities to respond to other priorities (discussed further, below).

³ Thirty-two facilities in total minus the seven facilities I have agreed be decommissioned and the one facility that has instigated its own exit.

⁴ These 13, in addition to the seven facilities I have agreed be decommissioned and the one facility that has instigated its own exit.

51 It would also reduce the physical presence of MIQ, and support a return to normalcy of the environments in which facilities are situated.

52 Commercial information

53 It is an attractive option to exit some facilities as quickly as possible in order to ensure they do not sit empty for months. Free and frank opinions

54 As such, I will direct MBIE to consider retaining sufficient flexibility in the MIQ network Free and frank opinions

We need to determine the size of the MIQ network from 1 July 2022

Our decisions are required now

55 As previously noted, contracts with all but two MIQ facilities expire on 30 June 2022. If any facilities are to be retained from 1 July, commercial negotiations with hotels need to commence as soon as possible.

56 Decisions on the future size of the MIQ network are also needed to support major workforce change processes (ie redeployment and redundancies).

A key consideration is retaining flexibility to urgently scale up the MIQ network

57 In deciding the future size of the MIQ network, we need to provide ourselves sufficient flexibility to urgently scale up the MIQ network, if required to respond to increased demand at the border due to changed border settings.

58 I also consider it important that MIQ continue to provide support for community cases through the upcoming peak of this Omicron outbreak in March and April.

59 DHBs with MIQ facilities in their region (Auckland, Counties Manukau, Waitemata, Waikato, Lakes, Capital & Coast, and Canterbury) have indicated a preference to retain access to MIQ facilities as a point of overflow or escalation for Care in the Community during the Omicron peak in March/April. This can be accommodated while progressing the decommissioning of those facilities, with capacity available until the end of May for facilities exiting the network on 30 June.

60 There is also strong support among MIQ's Iwi partners for MIQ facilities to continue to accept community cases throughout this Omicron outbreak.

61 However, experience during the Delta outbreak, when community cases were required to enter MIQ, highlighted the limitations of MIQ facilities as isolation or quarantine locations for people with complex needs.

- 62 The withdrawal of NZDF and NZ Police means that there will be no uniformed presence in MIQ facilities. The nature of the future MIQ health workforce is unclear in the context of changes to MIQ demand, given competing pressures. These considerations would need to be worked through – resulting in a revised operating model – should we decide to retain any MIQ facilities for community cases.
- 63 I therefore consider that we have three substantive choices around the size of the MIQ network from 1 July 2022:
- 63.1 **Option One:** Retain a distributed presence across the country by extending the contracts of up to 11 facilities with staggered exits over September-December 2022, while retaining clauses which enable early exit through a notice period.
- 63.2 **Option Two:** Consolidate the network into three or four facilities in Auckland and Christchurch, [redacted Commercial Information]
- 63.3 **Option Three:** Decommission all facilities by 30 June 2022. Facilities would cease taking border arrivals or community cases by the end of May, at the latest.
- 64 Under all three options, there would be no MIQ facilities after December 2022, unless Cabinet or delegated Ministers took decisions later this year to extend the contracts of any remaining facilities.
- 65 If no facilities were extended beyond December there will be no medium-term MIQ ‘bridge’ to a long-term quarantine solution for future pandemics (the proposed National Quarantine Service). This longer-term work (the next steps for which are set out in paragraphs 101 onward) will potentially include [redacted Confidential advice to Government], and will therefore take time to appropriately scope, commission and build.
- 66 The use of [redacted Commercial Information] would provide flexibility to re-scale MIQ even once decommissioning processes have been initiated, should border settings need to significantly change between now and 30 June.
- 67 However, noting that significant workforce change processes will be pursued as a result of our decisions on decommissioning, the speed at which MIQ could be re-scaled would be contingent on its ability to secure an appropriate workforce (eg recalling agency partners).
- 68 It’s also important to remain alert to the possibility that hotels may decide they do not want to remain part of the MIQ network from 1 July 2022 and/or are not willing to accept community cases (meaning it may not, for example, be possible to secure 11 facilities in total even if that is what we decide).

I propose that future decisions on the MIQ network be delegated

- 69 While Cabinet only agreed to the Moderate Transition Approach for the MIQ network four months ago, it is clear that the landscape has fundamentally changed beyond recognition in that short period of time.
- 70 Given the centrality of MIQ to our COVID-19 response, to date, it has been appropriate for decisions around the future shape and scale of the network to come to Cabinet for discussion and agreement.
- 71 We are now at a point where MIQ is playing a marginal role in our management of COVID-19, and where quick decisions will be required to ensure that the scale of the network remains responsive to demand, and that staff are provided with certainty.
- 72 I anticipate that, in the near future, we may need to move quickly to close MIQ facilities when they are no longer needed or scale up again at speed.
- 73 I also recognise that MIQ's role, while marginal, is important for those elements of the COVID-19 response related to Care in the Community and its provision of alternative accommodation as a last resort.
- 74 I therefore seek Cabinet's agreement that future decisions on the MIQ network be delegated to the Ministers of Finance and COVID-19 Response, in consultation with the Prime Minister and the Minister of Health.
- 75 Where any additional funding is required (for example, any extension to the network beyond the size proposed here, or beyond the proposed end-date of December 2022), Cabinet agreement would be required.

Implications of an accelerated MIQ network transition

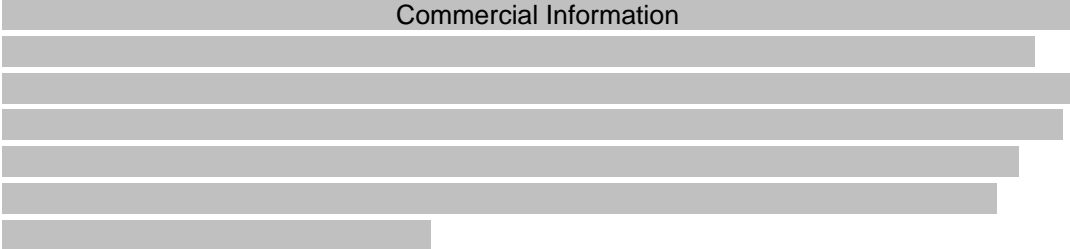
MIQ workforce

- 76 Accelerating the decommissioning the MIQ network will have a major impact on its workforce, which is comprised of MBIE (633), NZDF (845), health (435), and AvSec (145), private security (1030) and hotel (1648) staff.
- 77 In December 2021, we discussed the importance of consolidating to a core MBIE workforce and returning the workforces of partner agencies to regular duties. As envisaged, almost all NZDF, health, and AvSec staff will return to their home agencies, like the New Zealand Police.
- 78 A significant workforce change process will, however, be required for MBIE staff.

MBIE workforce

- 79 MBIE's 633 FTE workforce is comprised of frontline (329 FTE), regional command (55 FTE), and national office (249 FTE) staff.

80 While MIQ facilities can be decommissioned at pace, running a consultation, selection, redeployment, and (if necessary) redundancy process will require considerable time. This process cannot commence until MBIE is in receipt of Cabinet's decisions, and has determined any changes to the future MIQ operating model.

81  Commercial Information

New Zealand Defence Force

82 Approximately 77% of NZDF personnel in security roles could be released to their regular duties by mid-March, with remaining security staff to follow in quick succession (as the frontline MBIE workforce is consolidated and redeployed).

83 NZDF staff in national and regional level roles would likely be required for slightly longer to ensure an orderly network transition. However, these staff would also be released more quickly than anticipated last December (likely by May 2022).

Health

84 The majority of MIQ health workers will return to their DHB employers and will likely be involved in critical work responding to the Omicron peak. DHBs will need to run role disestablishment processes for any workers who do not want to be redeployed.

85 A core nursing workforce will be reserved to staff any remaining MIQ facilities. Recalling redeployed health workers back to MIQ facilities, should they be needed (eg to attend to complex community cases), would likely prove difficult due to DHB pressures.

Aviation Security Service

86 Most AvSec personnel could be released by late March 2022. AvSec have advised that the return of these personnel can be absorbed without need for redundancy processes, given that international connectivity will likely increase due to RNZ.

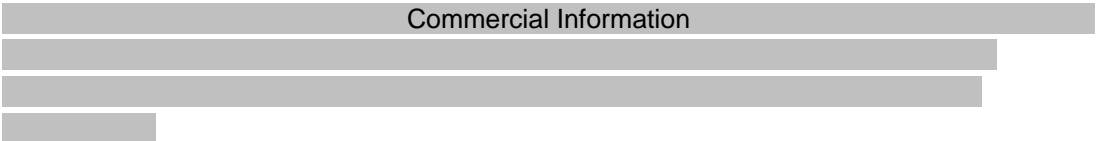
87 Return to full duties will, however, need to be carefully phased to avoid placing pressure on training programs necessary for AvSec personnel to meet regulatory requirements.

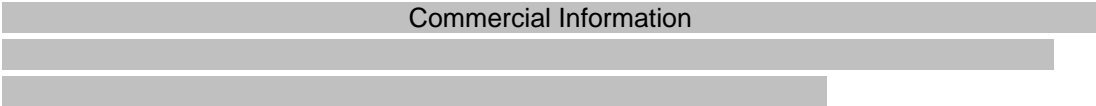
New Zealand Police

- 88 The New Zealand Police withdrew its permanent presence of approximately 238 personnel in MIQ facilities on 23 February, due to other priorities.
- 89 There are now dedicated 24/7 police patrols for Auckland facilities (as at 5 March, 14 dedicated personnel). In Christchurch, Hamilton, Rotorua and Wellington, Police rapid response is provided through existing mechanisms (eg via 111 response).
- 90 Police continue to discuss with MBIE the requirements to maintain and support facilities in the future (for both community and border) but that, due to the fast moving change of MIQ design and operation, Police remaining in a planning stage.

Private Sector Partners – Hotels and Private Security

- 91 Hotels outside of the MIQ network are currently experiencing low occupancy. Releasing at least 21 hotels into the market at a similar time (should we agree to immediately decommission 13 facilities, further to the 7 I've already agreed) will have implications for hotel workforces inside and outside of the MIQ network. The magnitude of this impact will be, in part, determined by the timing of tourism returning under RNZ.

92  Commercial Information

93  Commercial Information

Iwi

- 94 Iwi have made a significant contribution to MIQ. Iwi with MIQ facilities in their rohe have extended particular generosity to people coming through MIQ, and the workforces that support them to do so.
- 95 In that spirit, I consider it imperative that we communicate our decisions on the decommissioning of MIQ to Iwi alongside any public announcements. In such fora, we also need to acknowledge their many and varied contributions to MIQ, and provide certainty as to the supports in place to respond to COVID-19 in their communities.
- 96 I also expect that MBIE will work thorough tikanga with Iwi (eg giving appropriate time and space to blessing of hotels following de-designation).

Use of decommissioned MIQ facilities for other purposes

- 97 I understand that there is some interest in using decommissioned MIQ facilities for other purposes, such as emergency or transitional housing.
- 98 While MBIE holds contracts with these hotels to run a managed isolation and/or quarantine service, these contracts are non-transferrable. Using these hotels for any alternative government service would require separate commercial discussions.
- 99 Any hotels that are decommissioned from the MIQ network are free to engage in negotiations with other government agencies. MBIE can support any introductions, as needed.

Change to National Quarantine Service next steps

- 100 As previously noted, in December 2021 we agreed to the development of a DBC (1) for long-term contracts with three sites, including upgrades (earthquake strengthening and ventilation improvements) and expansion Confidential advice to Government for the purpose of providing core quarantine capacity for the next few years [CAB-21-MIN-0525 refers].
- 101 As a result of the proposed acceleration of the MIQ network transition, and the uncertainty in demand for MIQ over the coming months, I no longer consider that DBC 1 is required. Any contracts and upgrades for the coming year can be funded through the existing MIQ appropriation for 2022/23.
- 102 I intend to return the tagged contingency Cabinet put aside for the outcomes of DBC 1 to the centre. This approach is supported by the independent Gateway review undertaken last week.
- 103 I have asked that officials continue to progress work on a long-term quarantine solution for future pandemics, Confidential advice to Government [CAB-21-MIN-0525 refers].
- 104 To ensure that this work is appropriately aligned with emerging pandemic preparedness work being led out of other agencies, I have directed officials to work to a delivery timeframe of quarter three 2022, rather than quarter two (as anticipated in December 2021). The Gateway review also recommended that this project go back to the Programme Business Case stage to ensure that it aligns with a broader national pandemic plan.
- 105 MBIE officials will be engaging with agencies across the pandemic response and emergency management systems to ensure this work enables the greatest benefit from our future preparedness investment.

106 Given the anticipated financial savings associated with an accelerated transition approach (see section below), it is my expectation that the progression of this work, once its scope is agreed, can be funded through underspends in MBIE's existing appropriation. Accordingly, I intend to return the tagged contingency Cabinet put aside for the development of DBC 2 to the centre.

Financial implications of revised transition approach

107 In December 2021, Cabinet provided MBIE and partner MIQ agencies with a total of \$653.389 million to deliver a scaled-down MIQ network according to the Moderate Transition Approach in 2022/23 [CAB-21-MIN-0525 refers].

108 This funding was in addition to \$1,145.13 million for 2021/22 and \$21.150 million for 2022/23 that had previously been provided to MBIE and partner agencies for their MIQ costs [CAB-20-MIN-0511 and SWC-21-MIN-0133 refer⁵].

109 The total funding provided is broken down for 2022/23 as follows:

109.1 MBIE - \$998.869 million for 2021/22, \$588.509 million

109.2 MoH - \$129.142 million for 2021/22, \$45.298 million

109.3 AvSec - \$16.460 million for 2021/22, \$16.890

109.4 Police - \$14.058 million for 2021/22, \$23.838 million

110 Should we agree to accelerate the MIQ network transition, it would be my expectation that some funding allocated by Cabinet for 2021/22 and a significant proportion of the funding allocated for 2022/23 will be able to be returned to the Crown in due course, over and above what is already being returned in this paper.

111 This funding would primarily be the difference in operating expenditure (for hotels, workforce and transport) between the planned Moderate Transition Approach and the accelerated network transition. It would also include the underspend in our loans category that has resulted from changes to the COVID-19 Public Health Response (Managed Isolation and Quarantine Charges) Regulations 2020, and a reduction in border arrivals entering MIQ as a result of RNZ.

112 However, I am cognisant of the fact that many of the costs associated with an accelerated transition approach, will not be immediately known, particularly those related to MBIE MIQ workforce change processes (eg redundancies).

⁵ In December 2020, Cabinet provided \$1,130.629 for MIQ costs through until 30 June 2021 [CAB-20-MIN-0511 refers]. In September 2021, Cabinet provided a further \$36.646 million to fund the operation of The Elms Christchurch through until 30 June 2023 [SWC-21-MIN-0133 refers].

S E N S I T I V E

- 113 Accordingly, I am advised that based on the most conservative option presented in this paper (Option 1 – retain up to 11 facilities through until December 2022), \$169.044 million in estimated underspends for 2021/22, and \$261.346 million in estimated underspends for 2022/23 can confidently be returned to the centre now. The remaining anticipated but uncertain underspends will be worked through over the coming weeks and returned at a later date via standard processes (ie the October Baseline Update).
- 114 The underspends that can be returned to the Crown now, based on Option 1, are comprised as follows:
- 114.1 MBIE –\$406.552 million, made up of \$85.727 million in underspends in the 2021/22 and 2022/23 Managed Isolation and Quarantine Loans category, and \$320.825 million in Delivery of Services (hotel and transport) and Fee Output Expense related underspends for 2021/22 and 2022/23.
- 114.2 Police - \$23.838 million in 2022/23 from workforce costs no longer required given Police’s reduced role in MIQ, and the reduction of the overall network.
- 115 If Options 2 or 3 were chosen, MBIE would be able to return \$453.529 million (Option 2) or \$507.914 million (Option 3).
- 116 The potential initial savings to be returned (with more to be returned at a later date at the conclusion of employment and contract negotiation processes), are set out in the table below.

	Option 1 11 facilities			Option 2 4 facilities			Option 3 No facilities		
	FY22	FY23	Total	FY22	FY23	Total	FY22	FY23	Total
MBIE	169.044	237.508	406.552	147.491	306.038	453.529	159.007	348.907	507.914
Police	-	23.838	23.838	-	23.838	23.838		23.838	23.838
Total Opex	92.317	252.346	344.663	70.764	320.876	391.640	82.280	363.745	446.025
Total Capex	76.727	9.000	85.727	76.727	9.000	85.727	76.727	9.000	85.727

Treasury comment

- 117 The Treasury considers the costings of savings associated with each of the options presented in this paper to be conservative, and expects that significant further underspends are likely. Further underspends should be returned to the centre as soon as possible, so that excess funding can be reprioritised for the Government’s other priorities.

Legislative Implications

118 There are no legislative implications arising from the revised network transition approach.

Impact Analysis

Regulatory Impact Statement

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

Climate Implications of Policy Assessment

120 There are no climate implications arising from this proposal.

Population Implications

121 Accelerating the transition of the MIQ network has implications for the MIQ workforce, the communities in which MIQ facilities are located, and the New Zealand population.

122 [Redacted] Free and frank opinions

123 The MBIE MIQ workforce is diverse. Māori, Asian and Pacific people are over-represented in frontline and regional command roles (with frontline roles being the lowest paid, on average). It is likely to be more difficult to secure redeployment opportunities for these staff, compared to those in national office roles.

124 Hotel staff is the largest contributor to the MIQ workforce. Free and frank opinions
[Redacted]
[Redacted]
[Redacted]

125 The concentration of MIQ facilities in particular regions also means that the workforce impact of MIQ facility closures is likely to be felt more acutely in specific communities to which MIQ workers belong.

126 MIQ is currently being used, as an escalation point, to accommodate some community cases – particularly in Auckland. Free and frank opinions
[Redacted]
[Redacted]
[Redacted]

127 [Redacted] Free and frank opinions
[Redacted] The increased availability of wrap-around support and alternative accommodation options under the purview of Care in the Community mitigates the risk that these vulnerable people will not have anywhere to safely isolate, albeit only to a certain extent.

Human Rights

128

Legal professional privilege

129

Consultation

130 The following agencies were consulted on aspects of this Cabinet paper: Treasury, Ministry of Health, Department of Prime Minister and Cabinet (PAG), New Zealand Police, NZDF, AvSec, and the Public Service Commission.

Communications

- 131 Decisions taken by Cabinet today need to be urgently progressed and publicly announced as soon as possible.
- 132 Alongside a public announcement, MBIE will communicate our decisions with the MIQ workforce, affected agencies, and commercial partners.

Proactive Release

133 It is intended that this paper and its associated minute be proactively released 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 Cabinet:

- 1 **Note** that a number of policy decisions pertinent to MIQ demand at the border and in the community have been made since Cabinet's agreement to the Moderate Transition Approach on 8 December 2021.
- 2 **Note** that officials expect a maximum of 200 people per week (140 rooms) will be required to enter MIQ from Monday, 7 March, if current border settings are retained.

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- 3 **Note** that if Cabinet agrees to remove vaccine-associated requirements to enter MIQ (see *Reconnecting New Zealanders: Further changes to international border settings*), demand from the border will drop to almost zero immediately.
- 4 **Note** that between 6-11 March, 21 facilities will have their final border cohorts depart and will be deactivated (as is usual process).
- 5 **Note** that remaining border demand has been consolidated into 3-4 facilities over the last week as part of the Reconnecting New Zealanders with the World changes.
- 6 **Note** that while the overwhelming majority of cases in the current Omicron outbreak are being managed in the community – as is, indeed, the focus of Omicron Phase Three – a very small number (average eight per day) continue to enter MIQ.
- 7 **Note** that I consider it important that MIQ continue to provide support for community cases in the regions it has a presence through the upcoming peak of this Omicron outbreak in March and April.
- 8 **Note** that, in line with the previously agreed Moderate Transition Approach, steps have already been taken to decommission eight facilities from the MIQ network [redacted] Commercial information [redacted]
[redacted]
- 9 **Agree** to decommission at least a further thirteen facilities before 30 June 2022, bringing the total number of facilities leaving the MIQ network in the next four months to a minimum of 21 facilities (of 32 total).
- 10 **Note** that I have directed officials to ensure that, as soon as facilities are no longer operational, the visible presence of MIQ is minimised.
- 11 **Note** that [redacted] Commercial information [redacted]
[redacted] officials will seek to retain sufficient flexibility in the MIQ network to respond to any unanticipated increase in border demand between now and 30 June 2022 [redacted] Commercial information [redacted]
- 12 **Note** that all facilities, [redacted] Commercial Information [redacted], are currently contracted only until 30 June 2022.
- 13 **Note** that decisions on the future size of the MIQ network are required now to re-contract any facilities that we want to keep in the network beyond this date, and to support major workforce change processes (ie redeployment and redundancies).
- 14 **Note** that the [redacted] Commercial Information [redacted] will provide the flexibility to quickly scale up MIQ for border arrivals again, should a variant of significant concern emerge during that time.

15 **Agree** to either:

15.1 **Option One:** Retain a distributed presence across the country by extending the contracts of up to 11 facilities with staggered exits over September-December 2022, while retaining clauses which enable early exit through a notice period.

OR

15.2 **Option Two:** Consolidate the network into three or four facilities in Auckland and Christchurch, Commercial Information

OR

15.3 **Option Three:** Decommission all facilities by 30 June 2022. Facilities would cease taking border arrivals or community cases by the end of May, at the latest.

16

Commercial Information

17 **Note** that hotels may choose not to remain part of the MIQ network after 30 June 2022, meaning that if Option One is selected it may not be possible to secure the desired number of facilities.

18 **Note** that immediate decisions and a public announcement are required as soon as possible to ensure that the scale of the MIQ network remains responsive to demand and commence appropriate workforce change processes.

19 **Agree** to delegate future decisions on MIQ Network Transition to the Ministers of Finance and COVID-19 response, in consultation with the Prime Minister and Minister of Health, subject to these decisions having financial implications within the appropriation already agreed by Cabinet.

National Quarantine Service: Next Steps

20 **Note** that alongside the decision on the Moderate Transition Approach Cabinet also agreed to the development of two Detailed Business Cases (DBC) to progress work on a National Quarantine Service:

20.1 DBC 1 would focus on securing quarantine capacity for the tail-end of COVID-19 by using and improving existing infrastructure (including long-term contracts with two current facilities), and

20.2 DBC 2 would focus on securing quarantine capacity for future pandemics via Confidential advice to Government s [CAB-21-MIN-0525].

- 21 **Agree** as a result of the network reduction proposed in this paper, uncertainty in demand for MIQ over the coming months, and in-light of direction from the Gateway review process, that DBC 1 is no longer required.
- 22 **Note** that any contracts and upgrades for the coming year can be funded through the existing MIQ appropriation for 2022/23.
- 23 **Note** that work on a longer-term dedicated quarantine capability is progressing, subject to the scope of this project being confirmed by the Ministers of Finance, Health, and COVID-19 Response, with a revised anticipated delivery date of quarter three, 2022.
- 24 **Note** that it is expected that the progression of this work, if approved, can be funded through underspends in MBIE's appropriation, and therefore the tagged contingency for DBC 2 is no longer required.

Financial recommendations for the revised transition approach

- 25 **Note** that when funding for MBIE for MIQ was appropriated, Cabinet noted that funding was ring-fenced and could not be transferred to other appropriations, and that once MIQ winds down, any remaining funding is to be returned to the Crown.
- 26 **Note** that due to the substantial uncertainty about the scale and duration of the current MIQ network, and the potential costs associated with workforce change, only some of the estimated underspends from the proposed policy changes are included in this paper.
- 27 **Note** that it is my expectation that additional funding allocated by Cabinet for 2021/22 and a significant proportion of the funding allocated for 2022/23 will be able to be returned to the Crown in coming months.
- 28 **Agree** to delegate decisions on the management of returning further MIQ funding, including managing underspends against future Budget allowances, to the Minister of Finance and the relevant appropriation Minister through baseline update processes.

MBIE – financial recommendations

Revised transition approach (based on Option One in recommendation 15 above)

- 29 **Agree** to return \$85.727 million in estimated underspends in the 2021/22 and 2022/23 Managed Isolation and Quarantine Loans category resulting from policy decisions above to the COVID-19 Response and Recovery Fund (CRFF) established as part of Budget 2020.
- 30 **Agree** to return \$320.825 million in the Delivery of Services (hotel and transport) and Fee Other Expense categories for 2021/22 and 2022/23 resulting from policy decisions above to the CRRF.

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- 31 **Note** that if Options Two or Three were preferred, a total of \$453.529 million (Option Two) or \$507.914 million (Option Three) in underspends would be able to be returned.
- 32 **Approve** the following changes to appropriations to give effect to the decision in recommendations 29 and 30 above, with the following impact on the operating balance and net core Crown debt.

Vote Building and Construction	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26
Minister for COVID-19 Response					
Multi-Category Expenses and Capital:					
Isolation and Quarantine Management MCA					
Non-departmental Output Expenses:					
Delivery of Services	(92.317)	(217.208)			
Non-departmental Other Expenses:					
Managed Isolation and Quarantine loans - fair value write-down		(1.000)			
Non-departmental Other Expenses:					
Managed Isolation and Quarantine loans - Impairment of debt		(10.300)			
Non-Departmental Capital Expenditure:					
Managed Isolation and Quarantine Loans	(76.727)	(9.000)			
Total Operating	(92.317)	(228.508)			
Total Capital	(76.727)	(9.000)			

Vote Building and Construction	\$m – increase /(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance and Net Core Crown Debt Impact	(92.317)	(217.208)			
Operating Balance Impact Only	-	(11.300)			

SENSITIVE

	\$m – increase /(decrease)				
Vote Building and Construction	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Net Core Crown Debt Impact Only	(76.727)	(9.000)			
No Impact	-	-			
Total	(169.044)	(237.508)			

National Quarantine Service

- 33 **Agree** to return the tagged contingency resulting from DBC 1 not proceeding, and DBC2 being met within baseline, as outlined at 21 and 24, to the CRRF.
- 34 **Note** that underspends relating to the *development* of DBC 1 will be returned through baseline update processes, once confirmed.
- 35 **Agree** to return the following tagged operating and capital contingencies to the CRRF to give effect to the decision in recommendation 33 above.

	\$m – increase/(decrease)					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Long-term contracts - Tagged Operating Contingency	-	(36.574)	(184.586)	(184.586)	(108.092)	-
Upgrades (earthquake strengthening and ventilation improvements) and <small>Confidential advice to Government</small> Tagged Capital Contingency	-	(72.800)	-	-	-	-
Detailed Business Case on <small>Confidential advice to Government</small> – Tagged Operating Contingency	(8.000)	(16.200)				
Total Operating	(8.000)	(52.774)	(184.586)	(184.586)	(108.092)	
Total Capital		(72.800)				

Police – financial recommendations

- 36 **Note** that as of 23 February, the New Zealand Police has withdrawn its permanent presence of approximately 238 personnel in MIQ facilities (scaling down to from 5 March, 14 dedicated personnel), due to other priorities and reducing MIQ demand.

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- 37 **Note** Police continue to discuss with MBIE the requirement to maintain and support MIQ in the future, but that, due to the fast-moving change of MIQ design and operation, Police remaining in a planning stage. Police is currently confirming committed expenditure to date and determining financial implications of the proposed change in MIQ and consequent Police responsibilities.
- 38 **Note** Police will provide further advice on the fiscal implications of the changes to MIQ for 2021/22.
- 39 **Approve** the following changes to appropriations to reflect these changes to MIQ costs within Vote Police as of the date of the paper, 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
Multi-Category Expenses and Capital Expenditure:					
Policing Services (MCA)					
<i>Departmental Output Expenses</i>					
Crime Prevention (funded by Revenue Crown)	-	(5.197)	-	-	-
Primary Response Management (funded by Revenue Crown)	-	(15.328)	-	-	-
Investigations and Case Resolution (funded by Revenue Crown)	-	(3.313)	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Policing Services (MCA)	-	(23.838)	-	-	-
Total Operating	-	(23.838)	-	-	-

Recommendations in relation to all above appropriation changes

- 40 **Agree** that the proposed changes to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates.
- 41 **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.

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

Authorised for lodgement

Hon Chris Hipkins

Minister for COVID-19 Response