



## BRIEFING

### Recovering costs for groups with non-standard MIQ arrangements: supporting clarity of costs in the new scheme

|                                 |            |                         |           |
|---------------------------------|------------|-------------------------|-----------|
| <b>Date:</b>                    | 5 May 2021 | <b>Priority:</b>        | Medium    |
| <b>Security classification:</b> |            | <b>Tracking number:</b> | 2021-2914 |

| Action sought  |  |             |
|--|--|-------------|
|  | Action sought  | Deadline    |
| Hon Chris Hipkins<br><b>Minister for Covid-19 Response</b> | <p><b>Note</b> that in early 2021, you agreed to provide for cost neutral recovery for non-standard MIQ arrangements (e.g. allowing sports teams to train).</p> <p><b>Note</b> that prior to introduction of the new scheme, you requested officials be able to provide advance clarity of costs.</p> <p><b>Agree</b> to the charging approach in this paper, where:</p> <ul style="list-style-type: none"> <li>groups take responsibility for costs such as training venues</li> <li>Government passes on costs to support IPC requirements to groups, subject to upper cost limits.</li> </ul> | 12 May 2021 |
| Hon Grant Robertson<br><b>Minister of Finance</b>          |  |             |

| Contact for telephone discussion (if required) |                                    |                            |             |
|--|------------------------------------|----------------------------|-------------|
| Name   | Position                           | Telephone                  | 1st contact |
| Kara Isaac                                     | General Manager, MIQ Policy        | Privacy of natural persons |             |
| Privacy of natural persons                     | Manager, MIQ Allocation and Supply | Privacy of natural persons | ✓           |

| The following departments/agencies have been consulted             |
|--|
| Ministry of Health, Treasury, MBIE Major Events, Sport New Zealand |

Minister's office to complete:

- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

Comments



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#### Purpose

Costs for non-standard MIQ arrangements (such as for training sports teams) are not covered by standard MIQ fees. This briefing seeks your agreement to move to a new scheme that charges for these costs and provides clarity around costs to affected groups.

#### Executive summary

In early 2021, Joint Ministers (COVID-19 Response and Finance) agreed to provide for cost neutral recovery for non-standard MIQ arrangements. Prior to introduction of the new scheme, Ministers requested that officials provide advance clarity of costs.

To date, groups requiring non-standard MIQ arrangements have largely been sports teams requesting access to training facilities while in MIQ. The total charge per person for sports teams with non-standard MIQ arrangements is currently \$7,000 per person (dollar values in this briefing exclude GST) – this includes the standard MIQ fee prescribed in regulations and a charge for non-standard MIQ arrangements. Any additional costs are absorbed in MIQ baselines.

This briefing proposes that:

- **where appropriate, group representatives take responsibility for procuring services over and above standard MIQ operations.** Sports organisations would now be explicitly responsible for costs such as training venues and tailored meals (payment may be via MBIE where services are provided at the MIQ hotel). This will allow them to manage costs themselves, drawing on their existing relationships and understanding of their training requirements. This approach has already been taken in practice for some recent sports teams. ✓
- **Government continues to procure services needed to support IPC requirements, and passes these costs on to groups with upper cost limits.** Upper cost limits will provide cost certainty for sports teams. For Government-procured costs to support IPC (such as security and transport), we propose an upper limit of \$1,900 per person for rugby and netball and \$2,600 per person for cricket; these limits differ due to different group sizes and venue security requirements. We also propose an upper cost limit of \$1,000 per person for unoccupied 'dead' rooms. With the current critical worker fee of \$4,800, total Government charges for these sports teams could now be up to \$8,400 per person. ✓
- **the new cost recovery approach applies to groups arriving from 1 August,** in order to allow a reasonable amount of time for affected organisations to work through potential impacts. ✓

## Recommended action

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

### Background

- a **Note** that in early 2021, Joint Ministers (COVID-19 Response and Finance) agreed to adjust MIQ appropriations to enable cost recovery for groups with non-standard MIQ arrangements, such as sports teams (Briefing 2021-1598).

*Noted*

- b **Note** that agreement to introduce this new scheme was subject to the following requests from Ministers:

- Minister for COVID-19 Response: the new scheme should not be introduced unless officials can provide advance clarity of costs to groups requesting non-standard arrangements
- Minister of Finance: officials seek approval from Joint Ministers for an upper cost limit per person.

*Noted*

- c **Note** that the total charge per person for sports teams with non-standard MIQ arrangements is currently \$7,000 per person (excluding GST), with any additional costs being absorbed in MIQ baselines. This charge did not increase when the included critical worker fee increased from \$2,696 to \$4,800 (excluding GST).

*Noted*

### Proposed cost recovery approach for groups with non-standard arrangements

- d **Note** that the costs of non-standard MIQ arrangements are 'over and above' normal MIQ costs, and that the MIQ fee prescribed in regulations will continue to apply as normal to anyone entering MIQ.

*Noted*

- e **Note** that some costs, such as for training venues and non-standard lodging requirements, are largely determined by groups' training needs, rather than MIQ requirements, and can best be managed by group representatives.

*Noted*

- f **Note** that when group representatives arrange services such as training venues, MIQ and the Ministry of Health will still need to provide instruction and approval around IPC requirements that must be met and other practical considerations.

*Noted*

g **Agree** that MBIE adopt the following approach to charging for non-standard MIQ arrangements:

| Cost category  | Approach   |                             |
|--|--|-----------------------------|
| Baseline MIQ Fee   | Charged as normal for anyone entering MIQ  | [prescribed by regulations] |
| Dead rooms (unoccupied rooms to keep groups separate from other travellers, supporting infection prevention and control (IPC)) | Actual costs incurred, up to limit of \$1,000 per person   | Agree / Disagree            |
| Government-arranged services needed to support IPC for non-standard arrangements (such as security and transport)              | Actual costs incurred, with upper limits by sport: <ul style="list-style-type: none"> <li>• rugby and netball: \$1,900 per person</li> <li>• cricket: \$2,600 per person</li> <li>• other sports: to be determined; no more than \$2,600 per person without Joint Ministers' approval</li> </ul> | Agree / Disagree            |
| Departmental expenses such as business as usual staff time and legal fees  | Not charged for  | Agree / Disagree            |
| Other goods and services over and above MIQ requirements (such as training venues and tailored meals)                          | To be procured and paid for by group representative (e.g. New Zealand sports organisation); payment may be via MBIE for services provided at the MIQ hotel   | Agree / Disagree            |

h **Agree** that the new cost recovery approach applies to groups arriving from 1 August.

Agree / Disagree

i **Agree** that this briefing be proactively released (with any appropriate withholdings under the Official Information Act 1993) after potentially affected sports organisations have been engaged with.

Agree / Disagree

Privacy of natural persons

**Manager, Allocation and Supply**  
MIQ Policy, MBIE

04 / 05 / 2021



Hon Chris Hipkins  
Minister for Covid-19 Response

15 / 5 / 21



Hon Grant Robertson  
Minister of Finance

17 / 5 / 21

## Background

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1. In December 2020, we provided you with advice about a proposed mixed charging model for groups requiring non-standard MIQ arrangements (Briefing 2021-1598). The proposed model seeks to better align the charges for these groups with the cost of their non-standard MIQ arrangements.
2. In Joint Ministers' (COVID-19 Response and Finance) feedback on the paper, the Minister for COVID-19 Response directed that a new scheme should not be introduced unless we are able to provide advance clarity of costs to group representatives. The Minister of Finance also directed that we should seek approval from Joint Ministers for an upper cost limit per person.
3. To date, groups requiring non-standard MIQ arrangements have largely been sports teams – although other types of groups have expressed interest, such as touring bands looking to rehearse while in MIQ.
4. Sporting bodies have paid a fixed fee of \$7,000<sup>1</sup> per person for teams with non-standard MIQ arrangements, which is inclusive of the standard MIQ fees prescribed in regulations. This is generally<sup>2</sup> the critical worker fee, currently \$4,800, meaning an extra \$2,200 is charged per person for non-standard MIQ arrangements.
5. The \$7,000 per person fee for sports teams was not increased when the critical worker fee increased from \$2,696 to \$4,800, significantly lowering the amount recovered for non-standard MIQ arrangements.
6. Differences in sports teams' MIQ costs from the \$7,000 per person charge have been absorbed in MIQ baselines (for example, around \$1,100 per person, or a total of \$72,000, was absorbed for the Wallabies' stay in MIQ).

### Non-standard MIQ arrangements so far: background on key costs

7. Costs associated with non-standard MIQ arrangements (above and beyond the standard offering) to date can be categorised as follows:
  - training venue hire and setup
  - non-standard lodging requirements such as tailored meals
  - dead rooms (unoccupied rooms to keep groups like sports teams separate from other travellers, supporting infection prevention and control (IPC))
  - services that the Government must take responsibility for contracting to ensure IPC requirements are met – such as security, transport, and additional cleaning
  - departmental expenses such as business as usual staff time and legal fees (we do not propose to recover these).
8. The MIQ critical worker fee is based on a weighted average of costs across MIQ facilities, and does not cover costs incurred by other agencies. Our proposed cost recovery scheme focuses only on the costs of non-standard MIQ arrangements 'over and above' the normal MIQ offering, excluding departmental expenses such as business as usual staff hours and legal fees.

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<sup>1</sup> Dollar values in this briefing exclude GST.

<sup>2</sup> New Zealand Citizens and Residents are currently charged \$2696.

### *Training venues*

9. The cost of training venues and training amenities (including at the MIQ facility) for sports teams can vary significantly. Costs are largely fixed, rather than dependent on the number of people travelling. For example:
  - Some teams may have free access to venues through existing arrangements with sports bodies.
  - Training venue arrangements for the Wallabies cost \$57,740 (spread across 65 people, this came to \$888 per person).
  - Training venue arrangements for the English Netball Team cost \$50,517 – spread across only 25 people, this came to \$2,021 per person. A major contributor to costs was compensating people who had already made arrangements to use the main training venue.
10. Sports teams have generally requested gym setups at their MIQ facility.

### *Non-standard lodging requirements*

11. Sports teams have often requested tailored meals and more frequent laundry. As an example, these cost \$707 per person for the Wallabies (above and beyond the standard offering included in the critical worker fee).

### *Dead rooms*

12. MIQ has generally required 'dead rooms' for training sports teams. Dead rooms are rooms that MIQ keeps unoccupied to keep groups such as sport teams separated from other travellers – this reduces any infection risk associated with larger bubbles, frequent movements, or the risk that other travellers try to interact with prominent groups. For IPC purposes, MIQ expects to continue requiring dead rooms for regularly training sports teams.
13. Sports teams themselves have largely been appreciative of dead rooms, and sometimes request them – they reduce infection risk from others in MIQ and support privacy.
14. As an example, dead rooms cost \$762 per person for the Wallabies.<sup>3</sup>

### *Government-arranged services needed to support IPC*

15. There are certain services that the Government must have primary responsibility for contracting – such as security and transport. Insecure or inadequate provision of these would jeopardise IPC.
16. The majority of these costs relate to security, which can vary significantly by team. In particular, indoor or enclosed venues often require less security staff than open fields. Costs are also higher where multiple bubbles within a team must be kept separate (for most teams, their health exemptions have required them to stay in bubbles of 15 or less for all or some of their stay in MIQ). In practice, security costs for sports teams have generally been less than \$1,500 per person.
17. The Ministry of Health advises that certain health costs, such as any additional testing, cannot be recovered.

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<sup>3</sup> This financial cost does not account for wider impacts of dead rooms on overall MIQ capacity.

### *Charter flights*

18. Some group representatives arranged domestic charter flights to Christchurch at their own cost, although the need for domestic charter flights can be avoided by landing directly at the relevant airport. MBIE has not absorbed costs for these charter flights and does not propose to do so.

### **Supporting clarity of costs for non-standard MIQ arrangements**

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19. The standard MIQ fee prescribed in regulations will continue to apply as normal to anyone entering MIQ, regardless of any requirements for non-standard arrangements.
20. Under MBIE's current contracting approach, teams can also be liable for additional accommodation costs if travellers' stays in MIQ are extended due to a bubble breach or adverse test results.

#### *We propose that group representatives make arrangements themselves where appropriate*

21. We propose that group representatives take primary responsibility for procuring and paying for goods and services over and above standard MIQ operations (such as training venues), except for Government-arranged services needed to meet IPC requirements (such as any transport and security requirements). In general, groups would have to incur these costs regardless of MIQ (although the logistics can be more challenging).
22. This approach has already been taken in practice for some recent sports teams, such as the Australian Diamonds netball team.
23. This will ensure that group representatives are able to manage costs themselves where possible – drawing on their existing relationships and understanding of their training requirements. It will also limit MBIE's administrative overhead. On balance, venue selection decisions to date have largely been focused on accommodating team training requirements, rather than MIQ logistical and IPC requirements (aside from the requirement to be in Christchurch).
24. Group representatives would still need to consult and seek approval from MBIE and the Ministry of Health to ensure arrangements are practicable and meet IPC requirements.
25. Where groups request additional services at their MIQ hotel (such as tailored meals or onsite training space), payment will sometimes be through MBIE, given its existing contractual relationship.

#### *For remaining costs, we propose upper limits for cost recovery*

26. For services that the Government must arrange, we propose that MBIE recover actual costs after-the-fact with upper cost limits. The use of upper cost limits will support advanced planning and budgeting by sports organisations.
27. Exact costs of non-standard MIQ arrangements cannot be provided in advance due to the uncertainties involved – public health order exemptions are only finalised shortly before a group's arrival, and reflect evolving understanding of the risk environment. Provisions such as bubble requirements and sizes have logistical impacts that must then be reflected in operational planning and contracting. Because of this uncertainty, confirming costs in advance would mean that some group representatives are over or undercharged.
28. For sports previously accommodated, we propose the following limits for Government-arranged services to support IPC:
  - \$1,900 per person for rugby and netball
  - \$2,600 per person for cricket.

29. These limits are based on MBIE's experience to date and are high-end estimates for costs incurred per person, in order to accommodate the likely range of requests with low risk of undercharging. They are different for each sport, as different sports have different group sizes and venue security requirements. Underlying estimates and calculations are provided in the table below.

| <b>Sport</b> (minimum expected passengers per team): | <b>Rugby (50)</b> | <b>Cricket (25)</b> | <b>Netball (25)</b> |
|--|-------------------|---------------------|---------------------|
| Training venue security and fencing                  | \$25,000          | \$25,000            | \$10,000            |
| On-floor security                                    | \$30,000          | \$15,000            | \$15,000            |
| Venue marquee to support IPC operations              | \$6,000           | \$6,000             | \$3,000             |
| Transport  | \$18,000          | \$9,000             | \$9,000             |
| Portaloos  | \$4,000           | \$2,500             | \$2,500             |
| Miscellaneous  | \$10,000          | \$7,500             | \$7,500             |
| <b>Total</b>   | <b>\$93,000</b>   | <b>\$65,000</b>     | <b>\$47,000</b>     |
| <b>Total per person</b>                              | <b>\$1,860</b>    | <b>\$2,600</b>      | <b>\$1,880</b>      |

30. For most other sports, we would not expect these costs to exceed \$2,600 per person (for example, we expect that the limit for rugby league and basketball would be approximately the same as for rugby and netball). We propose that limits for any other sports are calculated as needed, but would not exceed \$2,600 per person without approval from Joint Ministers.
31. These caps would not cover requests by sports teams more generally. For example, most teams have requested gym setups at their MIQ facility. MBIE has arranged these at a total cost of \$10,000-15,000 per setup (sometimes split across multiple teams, and with gym equipment itself provided by sports organisations). Costs such as these would be agreed with group representatives in advance and passed on without regard for the above caps.
32. We also propose a \$1,000<sup>4</sup> per person upper limit for dead room costs.
- a. The introduction of arrival cohorting (Briefing 2021-3379 refers) will increase the number of unoccupied rooms across MIQ facilities. Groups will not be charged for dead rooms that would otherwise be unoccupied for reasons such as cohorting. However, facilities hosting non-standard groups may sometimes be removed from cohorting.
33. We will monitor costs incurred to ensure these limits remain fit-for-purpose.

## **Impacts on sports organisations**

34. With the current critical worker fee of \$4,800, total charges for sports teams could now be up to \$8,400 per person for Government-required services. Sports organisations would now also be explicitly responsible for training venue costs and bespoke lodging costs such as tailored meals.

<sup>4</sup> A high-end estimate of 0.5 rooms unoccupied per person at \$150 per night. We are not aware of groups that have needed more than 0.5 dead rooms per person; and no MIQ facility charges more than \$150 per unoccupied room outside of a small number of particularly expensive Auckland hotels.



35. Group applications for MIQ are considered through MIQ's group allocation process, with final decisions made by the Ministerial Group for Border Exceptions. Once final decisions are made, officials will proactively engage with approved groups to confirm any non-standard arrangements and likely associated costs, noting the upper limits on what sports teams will pay.
36. MBIE has previously signalled to some sporting bodies, including for rugby and netball, that MIQ costs for training teams are likely to increase.

### **Comments from MBIE Major Events and Sport New Zealand**

37. Uncertainty is the greatest challenge for organisers of visiting sports teams, with the two most significant challenges being early confirmation of MIQ availability and surety of costs for training-enabled MIQ. MBIE Major Events and Sport New Zealand are therefore supportive of the introduction of a framework that provides certainty of upper cost limits for bespoke training, essentially allowing events to budget on a worst-case scenario basis.

#### *Risks*

38. While certainty is useful, the majority of national sporting organisations will find it difficult to carry these costs outside of events with high anticipated commercial return.
39. Two events within the Major Events Fund portfolio require bespoke training in 2022 – the ICC Women's Cricket World Cup and Rugby World Cup. Assuming MIQ is still required at the time, it is almost certain they will only be able proceed to with additional Major Events Fund investment to offset bespoke training costs (and likely also standard MIQ costs). Participants in women's sporting events, even at this level, are typically not professional players and ticketing revenue will not significantly offset event delivery costs.
40. Many other sporting events are also likely to require Government funding, such as Sport Recovery funding, to proceed – for example, during the Summer of Cricket, where a number of potentially visiting teams would face MIQ charges.

#### *MIQ comment on risks*

41. While non-standard MIQ costs will sometimes need to be subsidised for sports events to proceed, we consider it best practice that any subsidies come from sector-specific appropriations, so that:
  - Government can make case-by-case decisions on whether additional support is required, and these decisions can be made on a transparent basis
  - non-standard arrangements do not take resources from wider MIQ operations.

### **Commencement**

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42. We propose that the new cost recovery approach applies to groups arriving from 1 August, in order to allow a reasonable amount of time for affected organisations to work through potential impacts.
43. This would likely impact one team with a currently approved MIQ group allocation – the English Roses netball team arriving in August.
44. Netball New Zealand already have experience paying for training venues and training amenities for the Australian Diamonds' recent MIQ stay, and are aware that MIQ costs for training teams are likely to increase. It may seek additional Government support to offset the impact of the changes.

## **Next steps**

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45. If you agree with the above cost recovery approach, MBIE will:

- work with Sport New Zealand to communicate changes to affected sporting bodies
- prepare general guidance for communication to potential group applicants.