



## BRIEFING

### Future MIQ Infrastructure – Strategic Discussion paper

<b>Date:</b>	10 August 2021	<b>Priority:</b>	Medium
<b>Security classification:</b>		<b>Tracking number:</b>	2122-0483

Action sought		
	Action sought	Deadline
Hon Chris Hipkins <b>Minister for COVID-19 Response</b>	<b>Indicate</b> your priorities for progressing future MIQ infrastructure options and comfort with seeking funding in Budget 2022/23	17 August 2021

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	Senior Policy Advisor		
	Senior Policy Advisor		

The following departments/agencies have been consulted
Ministry of Health

Minister's office to complete:

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 Withdrawn           |

Comments



# BRIEFING

## Future MIQ Infrastructure – Strategic Discussion paper

<b>Date:</b>	10 August 2021	<b>Priority:</b>	Medium
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### Purpose

The purpose of this briefing is to provide you with information to support discussions with officials on the future of MIQ infrastructure. Specifically it covers your request for more concrete options or actions on:

- Which hotels could we buy and how much would they cost;
- How quickly could purpose built facilities be constructed, where and how much;
- How can we regularise and scale the workforce.

An outline of this information is attached in Annex 1.

### Recommended action

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

a **Note** subject to your priorities, anticipated timeframes for delivery:

- Now-Nov 2021: any 21/22 funding or out-of-cycle Budget funding sought (if needed to purchase hotel in existing network)
- End 2021: Investment Case completed (feasibility of buy and build options)
- Jan/Feb 2022: Budget Bid for 2022/23 Financial Year started
- June 2022: Budget Bid approved
- 2022-23: progress acquiring existing building outside of network, possible refurbishments complete
- 2023-24 onwards: any more extensive refurbishments completed or purpose built facility built (likely at least 2-3 years away).

*Noted*

b **Indicate** your prioritisation of progressing options outlined below:

- |   |             |        |     |
|---|-------------|--------|-----|
| i. Acquiring hotel within existing network      | <b>High</b> | Medium | Low |
| ii. Acquiring existing building outside network | <b>High</b> | Medium | Low |
| iii. Greenfields (purpose build)                | <b>High</b> | Medium | Low |

c **Indicate** your comfort with MBIE MIQ seeking the proposed amounts in Budget 2022/23, subject to your priorities and timeframes for delivery.

Yes / No

d **Note** next steps are to prioritise progressing an investment case to inform a Budget Bid for 2022/23, engage with iwi, and seek a public health view of the viable options.

*Noted*

e **Agree** that this briefing not be proactively released at this time due to Budget sensitivities.

Agree / disagree



Kara Isaac  
General Manager, MIQ Policy  
Managed Isolation and Quarantine

10 / 08 / 21



Hon Chris Hipkins  
Minister for COVID-19 Response

27 / 08 / 2021

## Background

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1. On 11 July 2021 you agreed to meet with officials and asked for further information for future MIQ infrastructure, specifically concrete options or actions on:
  - Which hotels could we buy and how much would they cost;
  - How quickly could purpose built facilities be constructed, where and how much;
  - How can we regularise and scale the workforce.
2. This briefing includes a slide pack detailing the future MIQ infrastructure options. These slides are attached at Annex 1.

## Future MIQ infrastructure options

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3. The objective of the future MIQ system is that it is agile and flexible to respond to COVID-19. Long term options are focused on increasing the effectiveness and resilience of MIQ.
4. MBIE has identified the options under the following three categories (listed in Slide 11, of Appendix 1):
  - i. **Acquiring hotel within existing network:** Purchase costs are estimated using the 'medium' of \$250k/room for northern hotels and \$200k/room for southern hotels.
  - ii. **Acquiring existing building outside network:** To provide access to fresh air, the shape of any existing structure will need to be able to accommodate rooms with opening windows (e.g. army barracks style, long and slender). To fit out such structure, retrofit cost is estimated at approximately 50% of new build cost (i.e. \$100k/room). This is in addition to the purchase cost of the building and land, and relies on a number of variables which need to be confirmed.
  - iii. **Greenfields (purpose build):** Build costs are estimated at \$400k per unit, with each unit comprising two bedrooms, excluding land purchase costs. Constraints in the construction sector including labour, supply and inflation could lead to increased costs.
5. Subject to your views on facilities and funding, we can start work on all of these options now and anticipate the following approximate timeframes:
  - iv. Now-Nov 2021: 21/22 funding or out-of-cycle Budget funding sought (if needed to purchase hotel in existing network)
  - v. End 2021: Investment Case completed (feasibility of buy and build options)
  - vi. Jan/Feb 2022: Budget Bid for 2022/23 Financial Year started
  - vii. June 2022: Budget Bid approved
  - viii. 2022-23: progress acquiring existing building outside of network, possible refurbishments complete
  - ix. 2023-24 onwards: any more extensive refurbishments completed or purpose built facility built (likely at least 2-3 years away).
6. We also seek your views on the priority of progressing and seeking funding for the above categories.
  - i. High priority: funding by end of 2021

- ii. Medium priority: funding for 22/23 Budget Bid (recommended)
- iii. Low priority: funding for 23/24 Budget Bid

## **Limitations, risks and gaps**

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- 7. MBIE has done a limited assessment of the suitability of options for the future based on high-level criteria.
- 8. There is limited cost information publically available in relation to historic hotel sales in New Zealand due to commercial sensitivities and a wide range of factors. Costs are based on historical sales, Hotel Advisor advice and anecdotal advice of an average of \$300k/room. Costs to purchase hotels include approximate retrofit cost which was estimated at 20-40% of the medium approximate purchase cost. This will need to be verified by designers, engineers, contractors and quantity surveyors and is dependent on Ministry of Health requirements.
- 9. Costings are only CAPEX and we would need to also cover operating costs.
- 10. The options provided are based on the assumption that facilities are government owned and run and potential public-private partnerships have not been explored. No formal discussions have been initiated with hotels.
- 11. Further work is needed to avoid missing out on more potential feasible options, consider all issues, and ensure that options provide greatest value for money

### *Iwi Engagement*

- 12. We have not yet explored options from Iwi, but we have asked Iwi to provide any ideas and options to us.

## **Next Steps**

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- 13. Subject to your views on facilities and funding, the next steps are to:
  - a. prioritise progressing an investment case to inform a Budget Bid for 2022/23;
  - b. engage with Iwi; and
  - c. seek a public health view of the viable options.

## **Annexes**

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Annex One: Future MIQ infrastructure slides for discussion

## Reconnecting New Zealand Programme – Workstream 3: MIQ

Future MIQ Infrastructure – Strategic Discussion paper

***Reconnecting New Zealand – aiming to reconnect New Zealanders with the world and safely reopen our borders...in a systematic, deliberate and phased manner which manages risk.***

COMMERCIAL IN CONFIDENCE

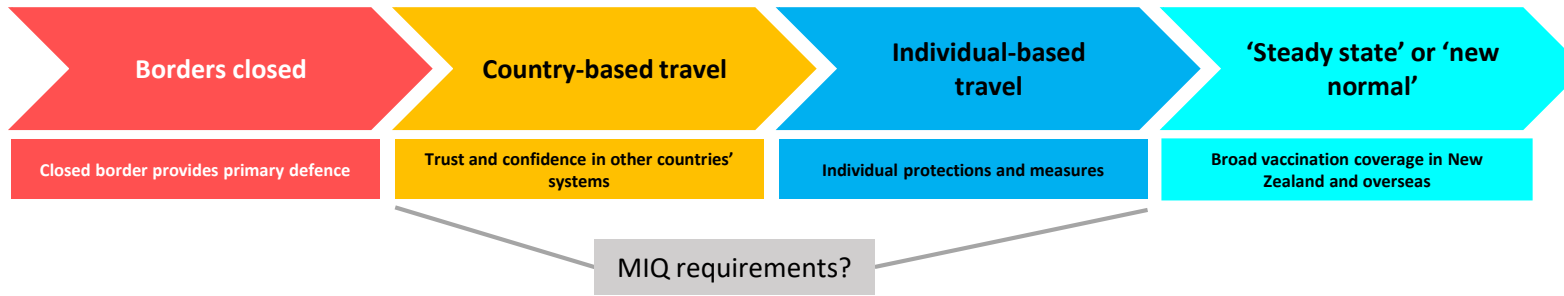


MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT  
HĪKINA WHAKATUTUKI

New Zealand Government

# Delivering on MIQ's part in the Reconnecting New Zealand strategy:

## MANAGED ISOLATION AND QUARANTINE



### Objectives shaping our MIQ future strategy, as stated in July 2021:

- MIQ is an effective, proportionate and equitable public health response tool for COVID-19
- MIQ is part of an economically sustainable public health response to COVID-19
- MIQ is scalable
- MIQ is resilient
- MIQ response is timely (effective now and for ~2-3 years)

## Context:

The following slides step through further work on what a blended model for MIQ might look like and how this aligns with the Reconnecting New Zealand strategy.

Some initial options for 'buy-and-adapt' and 'purpose-build' investment are included along with high-level establishment and operating costs projected out over a 2-3 year period.

We have a number of options available for how we move forward to achieve the optimum blend of type of infrastructure, capacity and location within the MIQ 'estate' and have included next steps for undertaking an accelerated feasibility study and business case process.

We are keen to understand Government's expectations about time to delivery, level of investment, opportunities for iwi-Crown partnerships, and appetite to explore other partnerships options.

# Traveller Pathways and the link to MIQ, within an elimination strategy

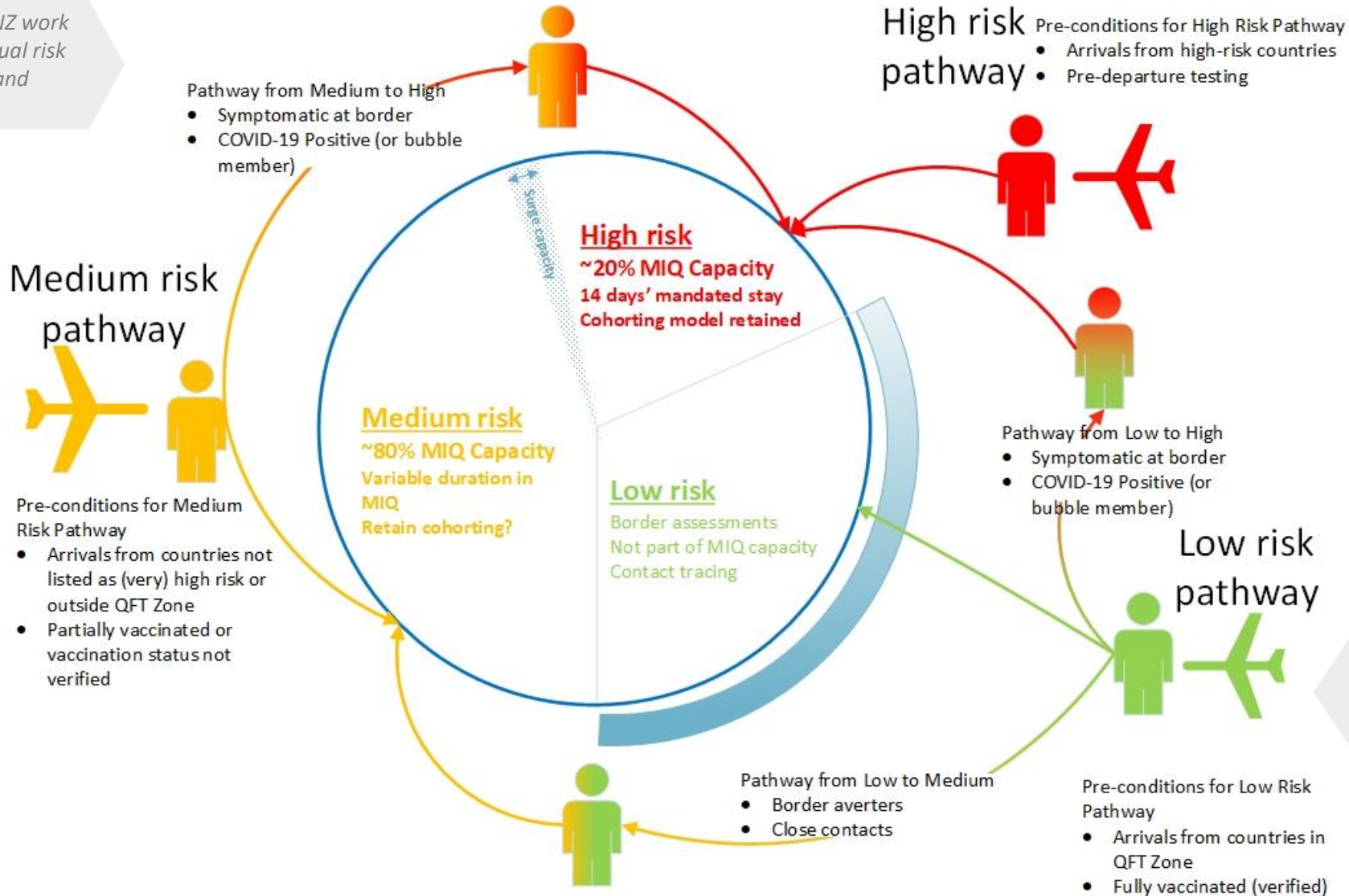


As traveller pathways are gradually implemented, we envisage the MIQ model to look like this. The future total MIQ capacity and % of high-risk and medium-risk capacity required within the MIQ estate needs to be determined, although we envisage the need for some flex between.

*Pathways will be defined by RNZ work on country risk profiles, individual risk profiles, pathway assessment and logistics*

*Medium-risk pathway experience within MIQ:*

- may be less than 14 days, may include combination of MIQ and self-isolation stay
- may be at dedicated 'short-stay' MIFs
- may have different testing regime



*High-risk pathway experience within MIQ:*

- will be at least 14 days
- may be at dual-use (I&Q) MIQFs
- regular in-MIQF testing regime
- cohorting in place to reduce transmission risks

*Need to work with Health to clarify the system-level response for community-based Covid management, post Delta implications*



# Design principles to shape what we keep, change, start now

With the parallel workstreams in play across health and border agencies, and the pace of change and expectations, we have made the following assumptions that enable us to use a set of strategic design principles to start the work.

Topic	Assumptions	What this means for the MIQ strategy
Border controls	Keep it out strategy will continue as border controls are loosened	MIQ will continue to receive the majority of people via the border/travelling, however demand can be expected to fluctuate
	Border controls won't be 100% effective so there will be some in-community infection and transmission	MIQ will need to support people from the community (either who entered via low-risk border entry or who are close contacts/subsequently infected by them)
	MIQ capacity will need to be able to cater for border control changes and community infections, these will flux constantly	MIQ capacity and flexibility needs to increase and diversify geographically to support all international ports into New Zealand. This means that some settings may need to be reconsidered (e.g. cohorting)
Variants	Delta and future variants make in-home and in-community self-isolation too risky for Covid+ cases, until a tipping point is reached leading to Alert L4 lock-down	People with Covid (all variants) will be quarantined – and this will be in MIQ-provided quarantine (due to the absence of alternative Q facilities via Health) – until capacity is exhausted and the only option is Alert L4 lock-down for whole communities
Locations	Community infection/transmission will happen anywhere in NZ	Access to MIQ needs to be available for all geographical areas
MIQ bookings	People travelling will need to continue to book MIQ vouchers, based on real-time assessment of their entry pathway (HR/MR)	MIAS needs to be able to cope with different stay length, different MIFs 'tagged' to pathways/stay length
	Management of capacity within MIQFs will become more complex with HR/MR and stay length changes – and with community-based entry as ongoing part of capacity management	Cohorting may not be viable for MR capacity, and contingency will need to include community-based entry capacity (perhaps on regional basis).
Travel and transfers	People will continue to arrive via air and maritime routes and these numbers will increase, and risk pathways assessments will be consistently applied for both	Airport and ports will continue to be potential sites of entry for people within medium-risk and high-risk pathways, and who will therefore require MIQ stays
	Air and land transfers from (air+sea)ports routinely take between 2-9 hours, and changes to ports and pathways won't dramatically change this	Logistics and transport options will continue to be a significant management and health challenge, which may need to be managed by: <ul style="list-style-type: none"> <li>• Greater options for airbridges (e.g. Christchurch airport, Wellington airport, Rotorua/Hamilton/PN airports)</li> <li>• Dedicated bus fleet with high grade air filtration systems will continue to be needed</li> <li>• Wider geographical spread of MIQFs</li> </ul>
Workforce	The operating model and staffing levels/types for MIQFs remain largely as now – however the sourcing will need to change in line with existing partner constraints and retention problems, and buy/build options	MIQ will need to employ/manage a greater workforce than now to: <ul style="list-style-type: none"> <li>• refresh workforce levels in line with attrition</li> <li>• cater for higher through-put within MIQ</li> <li>• cover existing partners exiting</li> <li>• cover buy/build options</li> </ul>
	Changes to border settings create actual and perceived higher risks for workers within MIQ, and puts a strain on already overstretched national total workforce	Greater investment and innovation will be required to secure the required workforce, including options like 'MIQ allowance pay and reward', peripatetic workforces
Infrastructure	Current contracts with hotels will switch to right of renewal both ways (opt-out), and therefore some of our current facilities may not continue post June 2022	We may not be able to rely on extending current contracts with hotels, and need to look wider at options to maintain similar capacity

# What do we need to change about current MIQF arrangements?

To help us determine what we would change about our current MIQF arrangements to be better placed to meet the requirements as border changes are made, we need to consider how best to achieve a fit-for-future MIQF 'estate'.

## Our options for MIQF facilities include:

- 1. Contract longer-term with existing or new hotels** – to have assurance of fixed capacity while not taking on additional liabilities in terms of ownership or management of facility specific workforce.
- 2. Buy existing or new facility** – with the purpose that 'ownership' gives us the ability to adapt the usage, e.g. to make dual-use Q+I for high-risk capacity. Would include taking on responsibilities for facility-specific workforce.
- 3. Build purpose-built facility** – with the purpose that we can maximise fit to required public health standards (including for dual-use Q+I) and have legacy capability for multi-use options. Would include taking on responsibilities for facility-specific workforce.
- 4. Retain surge capacity** – to build-in additional flexibility from a capacity or location perspective, with a retention allowance for 'MIQ readiness' standards and including ability to utilise some facility-specific workforce.

Using the framing of the assumptions and design principles from the previous slide, we have applied the following filters to determine best-fit facilities for travellers in the high-risk and medium-risk pathways:

### Facilities for High-risk travellers:

- Suitable size for cohorting
- Suitable outside exercise space onsite
- Low to medium rise preferred
- Outside the CBD preferred

*Assumption is that buy/build facilities will include capacity for high-risk travellers, although they may be flexible across medium/high risk capacity.*

### Facilities for Medium risk travellers:

- High rise OK given risk profile
- CBD locations OK given risk profile
- Consider whether cohorting needs to be retained

## INDICATIVE – Future options and capacity

	Northern	Central	Greater Wellington	Southern	Total
Contract	5 facilities ~ 1080 capacity	5 facilities ~ 830 capacity	1 facility ~ 92 capacity	3 facilities ~ 585 capacity	<b>14 facilities ~ 2,587 capacity</b>
Buy	3 facilities ~ 800 capacity	0	0	2 facilities ~ 300 capacity	<b>5 facilities ~ 1,100 capacity</b>
Build	1 facility ~ 500 capacity	0	1 facility ~ 300 capacity	1 facility ~ 300 capacity	<b>3 facilities ~ 1,100 capacity</b>
Surge	2 facilities ~ 400 capacity	1 facility ~ 200 capacity	1 facility ~ 200 capacity	1 facility ~ 200 capacity	<b>5 facilities ~ 1,000 capacity</b>
Total	~ 2,380 capacity + ~ 400 surge	~ 830 capacity + ~ 200 surge	~ 392 capacity + ~ 200 surge	~ 1,185 capacity + ~ 200 surge	<b>27 facilities ~ 5,787 capacity including ~ 1,000 surge</b>

# Following this logic, what would our future MIQF estate look like?

## MANAGED ISOLATION AND QUARANTINE

Those options translate into the following geographical spread, which includes an indicative range of 20% capacity (~957) for high-risk travellers and 80% capacity (~3,829) for medium-risk travellers. Overall capacity would be ~4,787 (plus ~1,000 surge).

**Northern**  
Current Capacity = 3,554  
Future Capacity = ~2,380 (+ ~400)



**Central**  
Current Capacity = ~734  
Future Capacity = ~830 (+ ~200)



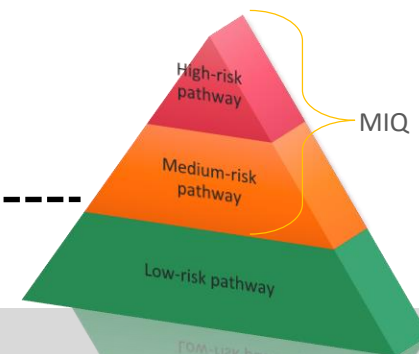
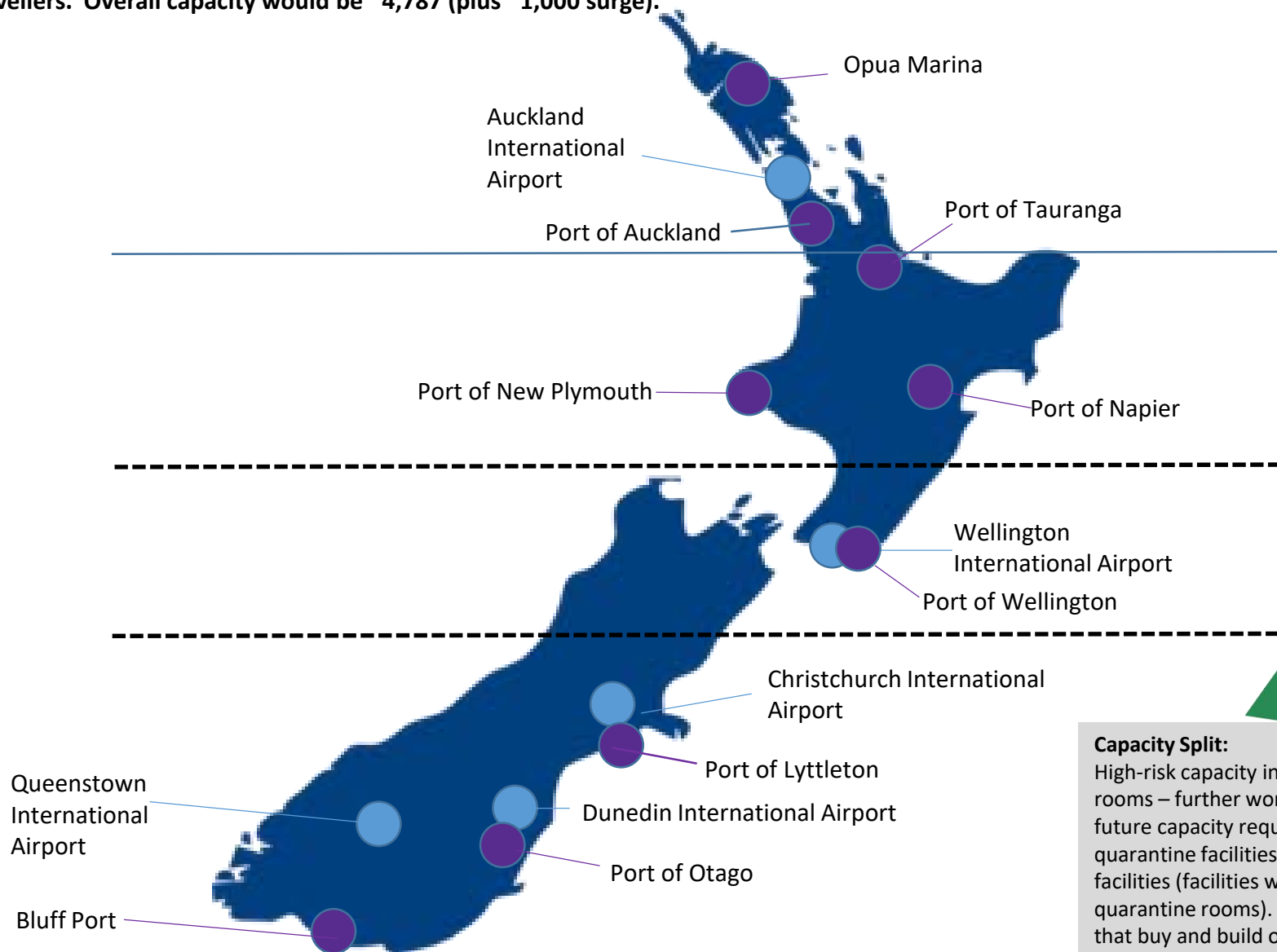
**Greater Wellington**  
Current Capacity = 124  
Future Capacity = ~392 (+ ~200)



**Southern**  
Current Capacity = 1,185  
Future Capacity = ~1,185 (+ ~200)



**Overall capacity**  
~4,787 (+ ~1,000 surge)



**Capacity Split:**  
High-risk capacity includes some % of quarantine rooms – further work is required to identify the future capacity requirements for dedicated quarantine facilities and/or the use of dual-use facilities (facilities with both isolation and quarantine rooms). However, the assumption is that buy and build options would supply the quarantine capacity.

# Minimum investment required

## MANAGED ISOLATION AND QUARANTINE

Changes to the MIQF estate will require significant investment. Initial exploration has provided some current high-level indicative costs to provide context to decision-making about the fit-for-future direction. We expect the current indicative costs may increase due to unforeseen challenges including (but not limited to) labour constraints and supply challenges.

This slide provides the total indicative cost overview across the three models (contract, buy build) per option, per region. The costs are broken down into establishment costs and then Year One and Two running costs.

The following slides provide a high-level breakdown of contract/purpose/build costs, operating, workforce, establishment and returnee transport costs. Note that these costs do not include Health-related costs (e.g. health workforce).

A more detailed breakdown and assumptions is provided in the Appendices.

	\$m	Northern			Central			Greater Wellington			Southern			Nationwide		
		Establish	Year One	Year Two	Establish	Year One	Year Two	Establish	Year One	Year Two	Establish	Year One	Year Two	Establish	Year One	Year Two
Contract	No. of Facilities / Rooms	5 / 1080			5 / 830			1 / 92			3 / 585			14 / 2587		
	Sub-total	\$54.00	\$154.93	\$157.79	\$41.50	\$121.74	\$123.64	\$4.60	\$15.20	\$15.32	\$23.40	\$94.30	\$96.07	\$123.50	\$386.18	\$392.82
Buy	No. of Facilities / Rooms	3 / 800			0 / 0			0 / 0			2 / 300			5 / 1100		
	Sub-total	\$240.96	\$102.46	\$105.16	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$72.64	\$46.78	\$48.07	\$313.59	\$149.24	\$153.23
Build	No. of Facilities / Rooms	1 / 500			0 / 0			1 / 300			1 / 300			3 / 1100		
	Sub-total	\$104.32	\$58.43	\$60.00	\$0.00	\$0.00	\$0.00	\$62.59	\$43.05	\$44.21	\$62.59	\$42.15	\$43.29	\$229.50	\$143.63	\$147.50
Surge	No. of Facilities / Rooms	2 / 400			1 / 200			1 / 200			1 / 200			5 / 1000		
	Sub-total	\$0.00	\$11.52	\$11.87	\$0.00	\$5.93	\$6.10	\$0.00	\$4.75	\$4.90	\$0.00	\$5.85	\$6.02	\$0.00	\$28.05	\$28.89
Total Costs	No. of Facilities / Rooms	11 / 2780			6 / 1030			3 / 592			7 / 1385			27 / 5787		
	Sub-total	\$399.28	\$327.34	\$334.81	\$41.50	\$127.67	\$129.74	\$67.19	\$63.01	\$64.43	\$158.63	\$189.09	\$193.45	\$666.60	\$707.10	\$722.44

**MANAGED ISOLATION  
AND QUARANTINE**

Option: **Contract**

\$m	Northern			Central			Greater Wellington			Southern			Nationwide		
Timeframe	Establish	Year One	Year Two	Establish	Year One	Year Two	Establish	Year One	Year Two	Establish	Year One	Year Two	Establish	Year One	Year Two
<b>No. of Facilities / Rooms</b>	<b>5 / 1080</b>			<b>5 / 830</b>			<b>1 / 92</b>			<b>3 / 585</b>			<b>14 / 2587</b>		
Ongoing Contract Costs		\$112.18	\$115.54		\$86.21	\$88.80		\$9.56	\$9.84		\$60.76	\$62.59		\$268.70	\$276.77
Workforce costs (excl. hotel staffing)		\$39.04	\$40.06		\$30.00	\$30.79		\$3.33	\$3.41		\$21.15	\$21.70		\$93.51	\$95.97
Operating Cost: Facility		\$0.79	\$0.81		\$0.79	\$0.81		\$0.16	\$0.16		\$0.47	\$0.49		\$2.20	\$2.27
One-off Establishment Costs		\$1.59			\$1.59			\$0.32			\$0.96			\$4.46	
Building Retrofit	\$54.00			\$41.50			\$4.60			\$23.40			\$123.50		
Returnee Transport		\$1.33	\$1.37		\$3.15	\$3.24		\$1.85	\$1.90		\$10.97	\$11.30		\$17.30	\$17.81
<b>Sub-total</b>	<b>\$54.00</b>	<b>\$154.93</b>	<b>\$157.79</b>	<b>\$41.50</b>	<b>\$121.74</b>	<b>\$123.64</b>	<b>\$4.60</b>	<b>\$15.20</b>	<b>\$15.32</b>	<b>\$23.40</b>	<b>\$94.30</b>	<b>\$96.07</b>	<b>\$123.50</b>	<b>\$386.18</b>	<b>\$392.82</b>

Option: **Buy**

\$m	Northern			Central			Greater Wellington			Southern			Nationwide		
Year	Establish	One	Two	Establish	One	Two	Establish	One	Two	Establish	One	Two	Establish	One	Two
<b>No. of Facilities / Rooms</b>	<b>3 / 800</b>			<b>0 / 0</b>			<b>0 / 0</b>			<b>2 / 300</b>			<b>5 / 1100</b>		
Purchase Costs	\$200.00									\$60.00			\$260.00		
Depreciation of Purchase		\$6.00	\$6.00								\$1.50	\$1.50		\$7.50	\$7.50
Operating Cost: Returnee		\$27.76	\$28.59								\$10.41	\$10.72		\$38.17	\$39.31
Workforce costs (incl. hotel staffing)		\$52.74	\$54.13								\$19.78	\$20.30		\$72.51	\$74.42
Operating Cost: Facility (incl. MG)		\$14.98	\$15.43								\$9.47	\$9.76		\$24.45	\$25.18
One-off Establishment Costs	\$0.96									\$0.64			\$1.59		
Building Retrofit	\$40.00									\$12.00			\$52.00		
Returnee Transport		\$0.99	\$1.02								\$5.62	\$5.79		\$6.61	\$6.81
<b>Sub-total</b>	<b>\$240.96</b>	<b>\$102.46</b>	<b>\$105.16</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$72.64</b>	<b>\$46.78</b>	<b>\$48.07</b>	<b>\$313.59</b>	<b>\$149.24</b>	<b>\$153.23</b>

**MANAGED ISOLATION  
AND QUARANTINE**

Option: **Build**

\$m	Northern			Central			Greater Wellington			Southern			Nationwide		
Timeframe	Establish	Year One	Year Two	Establish	Year One	Year Two	Establish	Year One	Year Two	Establish	Year One	Year Two	Establish	Year One	Year Two
No. of Facilities / Rooms	1 / 500			0 / 0			1 / 300			1 / 300			3 / 1100		
Land Purchase Cost	\$0.00						\$0.00			\$0.00			\$0.00		
Build Cost	\$100.00						\$60.00			\$60.00			\$220.00		
Depreciation of Purchase (Building)		\$2.00	\$2.00					\$2.00	\$2.00	\$2.00	\$2.00			\$6.00	\$6.00
Operating Cost: Returnee		\$17.35	\$17.87					\$10.19	\$10.49	\$9.69	\$9.98			\$37.22	\$38.34
Workforce costs (incl. hotel staffing)		\$32.96	\$33.83					\$19.78	\$20.30	\$19.78	\$20.30			\$72.51	\$74.42
Operating Cost: Facility (incl. MG)		\$5.50	\$5.67					\$5.07	\$5.22	\$5.07	\$5.22			\$15.63	\$16.10
One-off Establishment Costs	\$0.00						\$0.00			\$0.00			\$0.00		
One-Off Room Furnishing Costs	\$4.32						\$2.59			\$2.59			\$9.50		
Returnee Transport		\$0.62	\$0.63					\$6.02	\$6.20	\$5.62	\$5.79			\$12.26	\$12.63
<b>Sub-total</b>	<b>\$104.32</b>	<b>\$58.43</b>	<b>\$60.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$62.59</b>	<b>\$43.05</b>	<b>\$44.21</b>	<b>\$62.59</b>	<b>\$42.15</b>	<b>\$43.29</b>	<b>\$229.50</b>	<b>\$143.63</b>	<b>\$147.50</b>

Option: **Surge**

\$m	Northern			Central			Greater Wellington			Southern			Nationwide		
Timeframe	Establish	Year One	Year Two	Establish	Year One	Year Two	Establish	Year One	Year Two	Establish	Year One	Year Two	Establish	Year One	Year Two
No. of Facilities / Rooms	2 / 400			1 / 200			1 / 200			1 / 200			5 / 1000		
Retainer with hotel	\$0.00	\$11.52	\$11.87	\$0.00	\$5.93	\$6.10	\$0.00	\$4.75	\$4.90	\$0.00	\$5.85	\$6.02	\$0.00	\$28.05	\$28.89
<b>Sub-total</b>	<b>\$0.00</b>	<b>\$11.52</b>	<b>\$11.87</b>	<b>\$0.00</b>	<b>\$5.93</b>	<b>\$6.10</b>	<b>\$0.00</b>	<b>\$4.75</b>	<b>\$4.90</b>	<b>\$0.00</b>	<b>\$5.85</b>	<b>\$6.02</b>	<b>\$0.00</b>	<b>\$28.05</b>	<b>\$28.89</b>

# Appendices

# Network Expansion Options Analysis

NZ Government Procurement and Property (NZGPP) assessed a range of unsolicited offers received by MIQ and conducted an initial desk-top assessment of other options (using criteria relating to proximity to public hospital and international airport with a minimum of 150 room and minimum of 33% New Building Standard (NBS) rating. This table outlines potential options however it must be noted that a full market assessment has not yet been conducted.

Option	Initial options identified for further investigation
<p><b>Acquiring hotel within existing network</b></p> <p>Purchase costs are estimated using an average ‘medium level room rate’ of \$250k/room for Northern hotels and \$200k/room for Southern hotels, based on analysis of hotel sales in recent years (as at August 2021, and subject to change). Timeframe dependent on the success of negotiations, or if compulsory acquisition is required.</p>	<ul style="list-style-type: none"> <li>• Holiday Inn Auckland Airport</li> <li>• Jet Park Auckland Airport</li> <li>• Naumi (Auckland)</li> <li>• Novotel / Ibis Ellerslie</li> <li>• Waipuna</li> <li>• JetPark Hamilton</li> <li>• Distinction Hamilton</li> </ul> <ul style="list-style-type: none"> <li>• Rydges Rotorua</li> <li>• Sudima Rotorua</li> <li>• Chateau (Christchurch)</li> <li>• Commodore (Christchurch)</li> <li>• Sudima Christchurch Airport</li> </ul>
<p><b>Acquiring building outside existing hotel network - we would assume a 9-12 month period for retrofit.</b> (for example an empty existing building such as a warehouse, shell of new building requiring fit-out)</p> <p>To meet necessary fresh air requirements, the shape of any existing structure will need to be able to accommodate rooms with opening windows (e.g. long and lender shape such as army barracks style). Fitout of structure will be dependant on many factors, and as an estimate a percentage of 50% of the new build cost of the building could be used (e.g. say \$100k/room). This is in addition to the purchase cost of the building and land, and relies on a number of variables which need to be confirmed.</p> <p>For an indication of potential cost to acquire a building outside of existing hotel network, a recent warehouse sale in Auckland was \$46m and a new hotel located at Auckland Airport (high end 5 star, 311 room) is set to cost \$150m. Taking this into account, purchase costs could range anywhere from \$50 - \$100m dependent on size, location, condition etc (as at August 2021, and subject to change).</p>	<p>The sites below are from unsolicited proposals, or information known within the MIQ team. A detailed assessment needs to be undertaken to identify a wider range of potential sites.</p> <ul style="list-style-type: none"> <li>• Nido Store, Henderson (unsolicited proposal). A new 27,000m2 two storey building in an industrial area, with large adjacent carpark. The site would require a full hard fitout with possible civils. Potentially unfeasible due to shape and practicalities relating to retrofit.</li> <li>• Pullman, Auckland Airport – located next to Novotel Auckland Airport. 250 rooms.</li> <li>• Mercure Hotel, Auckland Airport – located just outside of the airport next to the airport shopping centre – this is in a discreet location and has considerable open space behind it that we may be able to access. 114 rooms.</li> <li>• L3 Harris Airline Academy, Hamilton Airport. Closed last year. Has some buildings and open space.</li> </ul> <p>Both Pullman and Mercure hotel buildings are likely to be capped off (fully enclosed structurally) soon (if not already) but it is not expected that they will complete the interior fit-out until demand picks up for more accommodation out by the airport. This may mean we can influence the type of air conditioning/ ventilation being installed.</p>
<p><b>Greenfields (purpose build)</b></p> <p>Build costs are (as at August 2021, and subject to change) estimated at \$400k per unit, with each unit comprising two bedrooms (i.e. \$200k/bed).</p> <p>The Auckland sites listed are all south of the CBD and well within a 30km radius of both AIA and Auckland hospitals. The sites with unknown owners were identified as listed for sale on commercial real estate agent websites – title searches can be conducted as part of next steps.</p>	<ul style="list-style-type: none"> <li>• Ardmore Military Training Area (NZDF owned).</li> <li>• Auckland Airport Extension Property (owner Auckland International Airport)</li> <li>• 350, 400 &amp; 470 Orurangi Road &amp; 118 Montgomerie Road, Mangere (owner unknown)</li> <li>• 1449 Great South Road, Ramarama, Auckland (owner unknown)</li> <li>• 124 Bollard Road, Tuakau, Auckland (owner unknown)</li> <li>• Sutton Road, Drury, Auckland (owner unknown)</li> <li>• 223 Main Road, Kumeu, Auckland (owner unknown)</li> <li>• Burnham Military Camp, Christchurch (owner NZDF/Crown)</li> <li>• Christchurch Airport Precinct (owner unknown)</li> </ul>



# Network Expansion Options Analysis

This table provides more information about delivery models that can be explored and next steps.

Further notes	Next Steps
<p>A wide range of delivery models needs to be assessed in more detail, including but not limited to:</p> <ul style="list-style-type: none"><li>a) Traditional delivery model (private sector build, Crown owns and manages)</li><li>b) Equity funding: Crown contracts with the entity (such as Super Fund) to design, build and own the facility.</li><li>c) A partnership option with Iwi providing land, Crown design, build and manage with a long term view of assets sold back to Iwi.</li><li>d) Collaboration with other Government Agencies as part of a long term strategy (e.g. build on NZDF estate land with the asset being used long term as part of NZDF ongoing operations post COVID).</li></ul> <p>In terms of operations and management of the facility, a jointly shared model should be looked into between Crown and private sector, with specific functions /responsibilities for each party clearly identified.</p> <p><b>Note that while we have assessed the unsolicited proposals provided to MIQ, these are only a small sampling of what is surely a larger market and we need to ensure that a strategic approach is undertaken to any procurement activity to ensure that we are either complying with NZ Government Procurement Rules or have a valid and defensible reason for any exemptions.</b></p>	<p>For both buy and build options, the recommendation is to commence with an overarching feasibility study / business case with nominated experts from within Government and private sector (noting we might be able to direct appoint to expedite the process). Considering the urgency, we would seek Ministerial approval for an accelerated process upfront which investigates the minimum requirements to satisfy objectives and investment criteria. This would be an 8-12 week process.</p> <p>The feasibility study should confirm, amount other matters:</p> <ul style="list-style-type: none"><li>• Project scope definition, objectives, success criteria, dependencies and interfaces (including confirmation of capacity requirements in line with MoH strategy and MIQ long term mandate)</li><li>• Identify full range of response options which could achieve objectives</li><li>• Identify assessment criteria and priorities for response options (e.g. commercials, financial, timeframe, achievement of objectives, risks)</li><li>• Multi-criteria assessment against the above, and ranking of options</li><li>• Selection of the preferred option (or combination of options) to achieve outcomes</li><li>• Detailed analysis of the preferred option against design criteria and recommendation for buy/build/retrofit mix with a shortlist of specific sites</li><li>• Implementation planning, including draft programme, financial budgets, governance and resource plan, commercial strategy, procurement and negotiation plan etc.</li></ul>

## MANAGED ISOLATION AND QUARANTINE

## Australia purpose built comparisons

### Northern Territory – Howard Springs



#### HOWARD SPRINGS, NORTHERN TERRITORY *In operation*

- considered close to MIQF gold standard
- MIQF that uses previous miner accommodation

- no reported MIQ failures
- modular design
- no indoor shared space
- a separate kitchen
- separate staff facilities

- outside main metropolitan centre
- on the outskirts of Darwin
- within 30km of Darwin International Airport
- 25km from the main hospital.

850-1000 travelers/fortnight

- Size:** total size is estimated to be 43ha.
- 4.3 ha per 100 beds
  - has additional facilities not required by standard MIQFs (swimming pool, cricket pitch, football field etc).

**Cost assumptions:** unknown

#### AVALON, VICTORIA – MELBOURNE *Yet to be built*

- Initial discussions have commenced with Victorian Government regarding the approach taken to identify an appropriate site.

- The Victorian Government is looking to construct an MIQF based off the Howard Springs model which can be built in stages.

- to be built in Avalon
- 60km from Melbourne International airport owned by the Commonwealth of Australia.

- To begin at 500 beds in its first iteration, scaling up to a total of 3,000 beds over time.

- Size:** Total size estimated to be around 42 ha. However, discussions with lead planner suggests it will take 1 ha of land per 100 beds.

**Cost assumption:** total cost is estimated at AUD\$340m. This equates to approximately AUD\$113k per bed. *As this MIQF has not been built, the true cost is unknown.*

### Avalon, Victoria - Melbourne



#### **Time to build:**

The Victoria quarantine hub is set to start construction in September 2021 with the first stage of the hub (500 beds) targeted to be in operation in early 2022. However, based on discussions with representatives of the Victorian State Government, there is some concern as to whether the target is achievable.

The final investment decision was made in May 2021 following 2-3 months of consultation/ deliberation on the business case that was developed for the alternative quarantine hub.

Australia is more familiar and geared up to build these 'mining town' type facilities so will be able to move quicker based on their previous experience. There will be a longer lead time for us.

# How much investment is required – Detailed Modelling

\$m Years	Northern			Central			Greater Wellington			Southern			Nationwide		
	Establish	One	Two	Establish	One	Two	Establish	One	Two	Establish	One	Two	Establish	One	Two
<b>Option: Contract</b>															
<b>No. of Facilities</b>	5			5			1			3			14		
<b>No. of Rooms</b>	1080			830			92			585			2587		
Ongoing Contract Costs		\$ 112.177	\$ 115.542		\$ 86.210	\$ 88.796		\$ 9.556	\$ 9.842		\$ 60.762	\$ 62.585		\$ 268.705	\$ 276.766
Workforce costs (excl. hotel staffing)															
Direct salary		\$ 29.002	\$ 29.727		\$ 22.289	\$ 22.846		\$ 2.471	\$ 2.532		\$ 15.710	\$ 16.102		\$ 69.471	\$ 71.208
Support costs		\$ 10.04	\$ 10.337		\$ 7.71	\$ 7.944		\$ 0.85	\$ 0.881		\$ 5.44	\$ 5.599		\$ 24.04	\$ 24.761
Operating Cost: Facility		\$ 0.787	\$ 0.810		\$ 0.787	\$ 0.810		\$ 0.157	\$ 0.162		\$ 0.472	\$ 0.486		\$ 2.203	\$ 2.269
One-off Establishment Costs		\$ 1.594			\$ 1.594			\$ 0.319			\$ 0.956			\$ 4.463	
Building Retrofit	\$ 54.000			\$ 41.500			\$ 4.600			\$ 23.400			\$ 123.500		
Returnee Transport		\$ 1.330	\$ 1.370		\$ 3.149	\$ 3.244		\$ 1.847	\$ 1.903		\$ 10.968	\$ 11.297		\$ 17.295	\$ 17.814
<b>Sub-total for Option: Contract</b>	<b>\$ 54.000</b>	<b>\$ 154.926</b>	<b>\$ 157.787</b>	<b>\$ 41.500</b>	<b>\$ 121.741</b>	<b>\$ 123.640</b>	<b>\$ 4.600</b>	<b>\$ 15.205</b>	<b>\$ 15.320</b>	<b>\$ 23.400</b>	<b>\$ 94.305</b>	<b>\$ 96.070</b>	<b>\$ 123.500</b>	<b>\$ 386.177</b>	<b>\$ 392.818</b>
<b>Option: Buy</b>															
<b>No. of Facilities</b>	3			0			0			2			5		
<b>No. of Rooms</b>	800			0			0			300			1100		
Purchase Costs	\$ 200.000									\$ 60.000			\$ 260.000		
Depreciation of Purchase		\$ 6.000	\$ 6.000								\$ 1.500	\$ 1.500		\$ 7.500	\$ 7.500
Operating Cost: Returnee		\$ 27.759	\$ 28.592								\$ 10.410	\$ 10.722		\$ 38.169	\$ 39.314
Workforce costs (incl. hotel staffing)															
Direct salary		\$ 38.639	\$ 39.605								\$ 14.490	\$ 14.852		\$ 53.129	\$ 54.457
Support costs		\$ 14.10	\$ 14.520								\$ 5.29	\$ 5.445		\$ 19.38	\$ 19.965
Operating Cost: Facility (incl. MG)															
Current MIF running cost		\$ 0.472	\$ 0.486								\$ 0.315	\$ 0.324		\$ 0.787	\$ 0.810
Building related cost		\$ 12.753	\$ 13.136								\$ 8.502	\$ 8.757		\$ 21.255	\$ 21.893
Repair and replacement		\$ 1.752	\$ 1.805								\$ 0.657	\$ 0.677		\$ 2.409	\$ 2.481
One-off Establishment Costs	\$ 0.956									\$ 0.638			\$ 1.594		
Building Retrofit	\$ 40.000									\$ 12.000			\$ 52.000		
Returnee Transport		\$ 0.986	\$ 1.015								\$ 5.625	\$ 5.793		\$ 6.610	\$ 6.809
<b>Sub-total for Option: Buy</b>	<b>\$ 240.956</b>	<b>\$ 102.459</b>	<b>\$ 105.159</b>							<b>\$ 72.638</b>	<b>\$ 46.785</b>	<b>\$ 48.071</b>	<b>\$ 313.594</b>	<b>\$ 149.243</b>	<b>\$ 153.230</b>
<b>Option: Build</b>															
<b>No. of Facilities</b>	1			0			1			1			3		
<b>No. of Rooms</b>	500			0			300			300			1100		
Land Purchase Cost	\$ -						\$ -			\$ -			\$ -		
Build Cost	\$ 100.000						\$ 60.000			\$ 60.000			\$ 220.000		
Depreciation of Purchase (Building)		\$ 2.00	\$ 2.00					\$ 2.00	\$ 2.00		\$ 2.00	\$ 2.00		\$ 6.00	\$ 6.00
Operating Cost: Returnee		\$ 17.350	\$ 17.870					\$ 10.185	\$ 10.491		\$ 9.688	\$ 9.979		\$ 37.223	\$ 38.339
Workforce costs (incl. hotel staffing)															
Direct salary		\$ 24.150	\$ 24.753					\$ 14.490	\$ 14.852		\$ 14.490	\$ 14.852		\$ 53.129	\$ 54.457
Support costs		\$ 8.81	\$ 9.075					\$ 5.29	\$ 5.445		\$ 5.29	\$ 5.445		\$ 19.38	\$ 19.965
Operating Cost: Facility (incl. MG)															
Current running cost		\$ 0.157	\$ 0.162					\$ 0.157	\$ 0.162		\$ 0.157	\$ 0.162		\$ 0.472	\$ 0.486
Building related cost		\$ 4.251	\$ 4.379					\$ 4.251	\$ 4.379		\$ 4.251	\$ 4.379		\$ 12.753	\$ 13.136
Repair and replacement		\$ 1.095	\$ 1.128					\$ 0.657	\$ 0.677		\$ 0.657	\$ 0.677		\$ 2.409	\$ 2.481
One-off Establishment Costs	\$ -						\$ -			\$ -			\$ -		
One-Off Room Furnishing Costs	\$ 4.320						\$ 2.592			\$ 2.592			\$ 9.504		
Returnee Transport		\$ 0.616	\$ 0.634					\$ 6.024	\$ 6.205		\$ 5.625	\$ 5.793		\$ 12.265	\$ 12.632
<b>Sub-total for Option: Build</b>	<b>\$ 104.320</b>	<b>\$ 58.429</b>	<b>\$ 60.001</b>				<b>\$ 62.592</b>	<b>\$ 43.051</b>	<b>\$ 44.210</b>	<b>\$ 62.592</b>	<b>\$ 42.154</b>	<b>\$ 43.287</b>	<b>\$ 229.504</b>	<b>\$ 143.634</b>	<b>\$ 147.498</b>
<b>Option: Surge</b>															
<b>No. of Facilities</b>	2			1			1			1			5		
<b>No. of Rooms</b>	400			200			200			200			1000		
Retainer with hotel	\$ -	\$ 11.521	\$ 11.867	\$ -	\$ 5.927	\$ 6.104	\$ -	\$ 4.754	\$ 4.897	\$ -	\$ 5.846	\$ 6.022	\$ -	\$ 28.048	\$ 28.890
<b>Sub-total for Option: Surge</b>	<b>\$ -</b>	<b>\$ 11.521</b>	<b>\$ 11.867</b>	<b>\$ -</b>	<b>\$ 5.927</b>	<b>\$ 6.104</b>	<b>\$ -</b>	<b>\$ 4.754</b>	<b>\$ 4.897</b>	<b>\$ -</b>	<b>\$ 5.846</b>	<b>\$ 6.022</b>	<b>\$ -</b>	<b>\$ 28.048</b>	<b>\$ 28.890</b>
<b>Total</b>															
Total Number of Facilities (incl. Surge)	11			6			3			7			27		
Total Number of Rooms (incl. Surge)	2780			1030			592			1385			5787		
<b>Total Costs by Year</b>	<b>\$ 399.276</b>	<b>\$ 327.335</b>	<b>\$ 334.814</b>	<b>\$ 41.500</b>	<b>\$ 127.668</b>	<b>\$ 129.745</b>	<b>\$ 67.192</b>	<b>\$ 63.010</b>	<b>\$ 64.427</b>	<b>\$ 158.630</b>	<b>\$ 189.090</b>	<b>\$ 193.449</b>	<b>\$ 666.598</b>	<b>\$ 707.103</b>	<b>\$ 722.435</b>

# Modelling assumptions

## MANAGED ISOLATION AND QUARANTINE

### Definitions

Option: Contract	
Ongoing Contract Costs	Cost paid to hotel operators under current contractual arrangement and rates plus CPI
Workforce costs (excl. hotel staffing)	
Direct salary	Salary for staff working at MIFs and associated RIQ/HQ roles, excl. hotel staff
Support costs	The corporate support cost for the added workforce
Operating Cost: Facility	Ongoing expenditure to make a hotel running as a MIF (e.g. fencing, printing)
One-off Establishment Costs	One-off cost to convert a hotel into a MIF (e.g. CCTV, set up staff rooms)
Building Retrofit	Retrofit cost to existing hotel (e.g. remediate ventilation issue) - OPEX
Returnee Transport	Cost to bring returnee from port of entry to the MIF and back
Option: Buy	
Purchase Costs	Cost to purchase a facility (CAPEX) including retrofitting
Depreciation of Purchase	Ongoing depreciation of the building include retrofitting
Operating Cost: Returnee	Non-labour food and beverage, laundry, cleaning, waste disposal cost
Workforce costs (incl. hotel staffing)	
Direct salary	Salary for staff working at MIFs and associated RIQ/HQ roles, incl. hotel staff
Support costs	The corporate support cost for the added workforce
Operating Cost: Facility (incl. MG)	
Current MIF running cost	Ongoing expenditure to make a hotel running as a MIF (e.g. fencing, printing)
Building related cost	Power, water, rates, insurance, maintenance, consumables
Repair and replacement	Gradual repair and replace furnishing (e.g. mattress, carpet)
One-off Establishment Costs	One-off cost to convert a hotel into a MIF (e.g. CCTV, set up staff rooms)
Building Retrofit	Retrofit cost to existing hotel (e.g. remediate ventilation issue) - CAPEX
Returnee Transport	Cost to bring returnee from port of entry to the MIF and back
Option: Build	
Land Purchase Cost	Cost to purchase land (CAPEX)
Build Cost	Cost to build a facility (CAPEX)
Depreciation of Purchase (Building)	Ongoing depreciation of the building
Operating Cost: Returnee	Non-labour food and beverage, laundry, cleaning, waste disposal cost
Workforce costs (incl. hotel staffing)	
Direct salary	Salary for staff working at MIFs and associated RIQ/HQ roles, incl. hotel staff
Support costs	The corporate support cost for the added workforce
Operating Cost: Facility (incl. MG)	
Current running cost	Ongoing expenditure to make a hotel running as a MIF (e.g. fencing, printing)
Building related cost	Power, water, rates, insurance, maintenance, consumables
Repair and replacement	Gradual repair and replace furnishing (e.g. mattress, carpet)
One-off Establishment Costs	One-off cost to convert a hotel into a MIF (e.g. CCTV, set up staff rooms)
One-Off Room Furnishing Costs	One-off cost to furnish rooms (e.g. beds, tv, desk, chairs)
Returnee Transport	Cost to bring returnee from port of entry to the MIF and back

### Overarching volume assumptions

Average Occupancy 80% against total number of rooms

Average Packing Ratio 1.35 person(s) per room

### Overarching price assumptions

Annual CPI % 3.0% applied to all other ongoing operating costs

Rem increase 2.5% applied to workforce related costs

### Specific assumptions

Transport trips 16 Transport of returnees to take place every 16 days

Repair and Replacement \$6 per room per day

Retainer for Surge option 50% of average unoccupied room rates per region

Useful life for Buy option buildings 40 years

Useful life for Build option buildings 50 years

Cost for retrofit 20% of total Buy cost

### Other assumptions

- **Health workforce is not included in the costings**
- **In the Build Option, no cost is included for purchasing land as we assume we would aim to use Crown-owned land**
- Contract option is costed as if adding a new hotel (not an existing MIF) only – some costs may not be required if the hotel is already an existing MIQF

For Returnee Transport costs, we have applied per person regional travel costs to determine what the increased travel costs would be. The table below provides indicative travel costs for 200 rooms in each of the regions

Region	Annual travel cost to a new 200 room hotel
Auckland	\$246,375
Hamilton/Rotorua	\$758,835
Wellington	\$4,015,912
Christchurch	\$3,749,827