



## BRIEFING

### Options for the Bay Plaza

<b>Date:</b>	27 August 2021	<b>Priority:</b>	Medium
<b>Security classification:</b>		<b>Tracking number:</b>	2122-0420

Action sought		
	Action sought	Deadline
Hon Chris Hipkins <b>Minister for COVID-19 Response</b>	<b>Agree</b> to the way forward for the Bay Plaza as a managed isolation facility	3 September 2021

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Andrew Milne	Associate Deputy Secretary, MIQ	Privacy of natural persons	✓
Privacy of natural persons	Senior Policy Adviser, MIQ Policy		

The following departments/agencies have been consulted
Ministry of Health

**Minister's office to complete:**

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

**Comments**



# BRIEFING

## Options for the Bay Plaza

<b>Date:</b>	27 August 2021	<b>Priority:</b>	Medium
<b>Security classification:</b>		<b>Tracking number:</b>	2122-0420

### Purpose

To seek your direction on the way forward for the Bay Plaza as a managed isolation facility.

### Recommended action

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

- a **Note** MBIE has previously advised you of the operational challenges of operating managed isolation facilities in Wellington, and the specific time and cost challenges of bringing the Bay Plaza’s ventilation system up to standard  
*Noted*
- b **Note** on 3 June 2021, you agreed to decommission the Bay Plaza as a managed isolation facility and retain the Grand Mercure in Wellington  
*Noted*
- c **Note** on 16 July 2021, because of high demand on the MIQ network, you indicated that you wished to revisit the original decision to decommission the Bay Plaza  
*Noted*
- d **Note** MBIE is currently seeking your in-principle agreement to bring the Quality Hotel Elms, Christchurch on as a new managed isolation facility, subject to Cabinet funding approval, which could be opened prior to the closure of the Bay Plaza with no overall loss of capacity  
*Noted*
- e **Indicate** your preference on four future options for the Bay Plaza:
  - **Option 1** – Decommission the Bay Plaza, as previously agreed, and the facility closed in approx. three months (end of November 2021)  
*Agree / Disagree*
  - **Option 2** – MIQ extends the Bay Plaza contract until 31 January 2022 and then Bay Plaza leaves MIQ (preferred option)  
*Agree / Disagree*
  - **Option 3** – MBIE renegotiates the contract with the Bay Plaza to continue until June 2022 without any ventilation remediation work  
*Agree / Disagree*
  - **Option 4** – With agreement from the Bay Plaza management, progress planning for the hotel to undertake significant ventilation work  
*Agree / Disagree*
- f **Note** MBIE will work with your office to confirm any details regarding the announcement of your preferred option

Noted

- g **Agree** that this briefing is not proactively released at this time due to commercial sensitivities with the relevant hotels, and that it will only be released once decisions are finalised and all relevant stakeholders have been notified

Agree /  Disagree



Andrew Milne  
**Associate Deputy Secretary, MIQ**  
Managed Isolation and Quarantine, MBIE

27 / 08 / 2021



Hon Chris Hipkins  
**Minister for COVID-19 Response**

30 / 8 / 21

## Background

---

1. MBIE has provided you with a series of briefings outlining the operational challenges in maintaining MIQ facilities in Wellington [briefings 2021-3193, 2021-3641 refers]. In addition to this, there has been concerns with the ventilation systems within both Wellington facilities.
2. On 3 June 2021, you agreed to decommission the Bay Plaza and retain the Grand Mercure in Wellington. At the time of sign off, the plan was to decommission the facility by 31 October 2021. In subsequent advice outlining a decommissioning plan for the Bay Plaza [briefing 2021-4393 refers], you indicated that the window to decommission the Bay Plaza may have closed, given the on-going levels of high demand for MIQ.
3. From the onsite ventilation assessment review, MBIE understands that the Bay Plaza would require significant ventilation remediation that may takes months of work to remediate. However, no remediation proposal was pursued from the hotel as it was previously decided that Bay Plaza would be decommissioned.
4. MBIE has engaged with the hotel management to discuss decommissioning, which the hotel has responded positively to. The hotel has indicated that its preference would be to either undertake ventilation remediation and remain as a Managed Isolation Facility (MIF) or to exit the contract on the 31 January 2022 (with last returnees departing at the end of December 2021).
5. This briefing provides you with advice on MBIE's preferred approach for the Bay Plaza and seeks your direction on your preferred way forward.

## Decision-making considerations for the Bay Plaza

---

### *Demand for MIQ space remains high, with additional pressure from community cases*

6. MIQ must continue to strike the balance between ensuring that we can facilitate the return of as many people as possible through MIQ, whilst ensuring our facilities can safely manage the risk posed by COVID-19 and its variants.
7. MIQ is already under significant pressure with extremely high levels of demand for Managed Isolation Allocation System (MIAS) vouchers from around the world, which has been compounded by the recent community outbreak in New Zealand and other events [briefing NZ-002 refers]. Over the period of April-June 2021, the average daily number of unique users of MIAS was approximately 5,000. This number has increased to approximately 20,000 from late July to August 2021.
8. MBIE is expecting that this demand will remain until the end of March 2022. The suspension of Quarantine-Free Travel from Australia, combined with previous decisions on border settings, high demand from groups over September and October and peak seasonal travel patterns are likely to maintain high levels of demand for MIQ.
9. Given the recent community outbreak, MBIE is increasing quarantine capacity around the country. The Grand Mercure in Wellington is converting to a dedicated quarantine facility and the Novotel Eilerslie and Holiday Inn becoming quarantine facilities.

### *MBIE's concerns with the Bay Plaza still remain*

10. Officials continue to have concerns with the ventilation within the Bay Plaza and consider there to be unacceptable risks of in-facility transmission. Half of the facility has mechanical ventilation, while the other half relies exclusively on natural ventilation (e.g., opening and closing windows). This system design leads to an inherent inability to control ventilation within preferred parameters and in a predictable manner.

11. The Onsite Assessment Results for the Bay Plaza indicated that significant work is required to create the preferred ventilation conditions. Bringing the facility up to standard would likely be very costly and time-consuming, and the work potentially taking a number of months. The decision to undertake this work is a commercial decision of the facility owner.
12. Due to these concerns, the Bay Plaza can only operate at 50 percent capacity – 32 out of 64 rooms – with high risk returnees to reduce the risk of in-facility transmission (almost all returnees are high risk). This partial occupancy has been recommended by the MIQ's Technical Advisory Group as the appropriate health mitigation to ensure the ongoing safe operation of the Bay Plaza.
13. MBIE previously recommended decommissioning the Bay Plaza due to operational challenges and associated costs and the ventilation remediation requirements. These issues remain an on-going concern. These challenges result in the underutilisation of Wellington MIQ facilities and lead to ongoing financial and workload uncertainty for the hotels and MIQ staff.
14. These challenges include:
  - Wellington International Airport will not allow MIQ to use its passenger terminal or baggage handling facilities under any circumstances, meaning that all 'red' flights must be processed through the NZDF Rongotai Air Movements terminal
  - passenger processing facilities at the NZDF terminal limit the number of people who can be processed per flight in a safe and timely manner to approximately 60
  - difficulties with continuing a safe, reliable and cost-effective coach service to transfer returnees to the facilities
  - ventilation considerations at the Bay Plaza, which mean that it can only be filled at 50 per cent capacity (32 rooms) with high-risk returnees
  - the lack of suitable and/or willing hotels to be added to the MIQ portfolio in Wellington.

## **Future options for the Bay Plaza**

---

15. The Bay Plaza's current contract has only been extended through to the end of October 2021, and MBIE has the ability to extend through to end of December 2021 under the existing terms (with last returnees exiting at end of November 2021). Based on the contract with the Bay Plaza, MBIE must provide 90 days notice of the intention to exit.
16. MBIE has identified four different approaches for the Bay Plaza:
  - Option 1: Decommissioning of the Bay Plaza continues as previously agreed, and the facility closed in approx. three months (end of November 2021)
  - Option 2: MIQ extends the Bay Plaza contract until end of January 2022 and then Bay Plaza leaves MIQ (preferred option)
  - Option 3: MBIE renegotiates the contract with the Bay Plaza to continue until June 2022 without any ventilation remediation work
  - Option 4: With agreement from the Bay Plaza management, progress planning for the hotel to undertake significant ventilation work

### **Option 1: Decommissioning of the Bay Plaza continues as previously agreed, and the facility closed in approx. three months (end of November 2021)**

17. This option continues on from the previous decision you made to decommission the Bay Plaza. MBIE would re-commence the decommissioning plan as you previously advised, which would take approximately three months. This would result in the Bay Plaza operating at partial occupancy until the end of October 2021, and exiting at the end of November 2021.
18. While this option was previously recommended by MBIE, given the current levels of demand, there is merit in maintaining the Bay Plaza through the current community outbreak and during the period of peak demand ahead of Christmas. The hotel has also indicated that it would prefer to remain as a MIF until the end of January.
19. This option also might not be well-received by the public, and may be perceived as not listening to the public despite ongoing levels of high demand.
20. There are also business continuity risks with this option, as it leaves the Grand Mercure as the only facility within Wellington. If an unforeseen event impacts the Grand Mercure, then MBIE may be required to arrange land transport to the closest facility, approximately eight hours travel time.
21. There are also workforce implications of this option, as the lead-up to the Christmas may be a challenging time for the workforce if they need to find additional employment.
22. The Ministry of Health has advised that the Bay Plaza should be decommissioned. With the continued threat of in-MIF transmission, this hotel poses a number of issues which increase the risk, alongside less than ideal location, and exercise concerns.

### **Option 2: MIQ extends the Bay Plaza contract until end of January 2022 and then Bay Plaza leaves MIQ (preferred option)**

23. In conversations with the hotel management, MBIE and the owners have determined that a better option could be to extend the Bay Plaza through to 31 January 2022. No further returnees could enter the facility after the end of December and the facility would commence maintenance and cleaning for January 2022.
24. This option enables the Bay Plaza capacity to be available to support the current outbreak in New Zealand (with the option to accommodate close contacts), and for returnees over the busy period leading up to Christmas. This option is MBIE's preferred option as it ultimately addresses the ongoing operational challenges associated with Wellington facilities, whilst enabling the MIQ capacity to be maintained over the busy period.
25. MBIE is also aware that this is a preferred option for the Bay Plaza hotel management, who either wanted to undertake ventilation remediation or exit the contract on 31 January 2022. This option allows for the hotel to exit the MIQ system on its own accord, which would be preferable from a public relations perspective while demand levels remain high.
26. Overall, the Bay Plaza is a small facility that contributes a small proportion of MIQ capacity and presents an on-going risk of in-MIF transmission. MBIE also has concerns with the location and the lack of exercise areas.
27. MBIE is also seeking currently seeking your in-principle agreement to bring the Elms Christchurch (approx. 85 rooms) on as a new facility [briefing 2122-0586 refers]. MBIE considers that the Elms would be a good replacement for the Bay Plaza which would result in a small net increase of capacity. The Elms could be opened prior to the closure of the Bay Plaza with no overall loss of capacity.

### **Option 3: MBIE renegotiates the contract with the Bay Plaza to continue until June 2022 without any ventilation remediation work**

28. Another possible option is to enter negotiations with the Bay Plaza management to extend their contract until June 2022. MBIE would still need work around the logistical issues created by maintaining the facility in Wellington.
29. MBIE only has funding for MIQ facilities up until June 2022, so it is not currently possible to negotiate past this timeframe.
30. While this option maintains capacity through the busy period, it also introduces an element of uncertainty. The Bay Plaza hotel management have not indicated any intention to stay on past January 2022 and there is risk that we would enter into negotiations and the hotel would maintain the position to exit by 31 January 2022. Given it is unlikely that the hotel will agree to this, MBIE does not recommend this option.
31. Overall, given the size of the facility and the additional concerns with the facility, MBIE does not recommend this option.

### **Option 4: With agreement from the Bay Plaza management, progress planning for the hotel to undertake significant ventilation work**

32. The Bay Plaza management has indicated that it would consider undertaking ventilation remediation work to allow it to operate at full capacity. The onsite assessment has indicated that the Bay Plaza requires significant work to address the ventilation concerns.
33. For this option, the hotel would need to prepare a ventilation plan to understand the true scale of the work required. However, there is a risk that the hotel may prepare and cost and ventilation and may decide to not proceed with the work given the cost to the business.
34. While undertaking the remedial work would ultimately allow MBIE to increase back to the full capacity of 64 rooms, it is likely that ventilation remedial work would need to progress urgently. Given the significant nature of the work, this could take a matter of months and is likely that the Bay Plaza would be unavailable during the busy period when MIQ capacity is needed most. There are also workforce concerns with this option as there are almost no opportunities in Wellington to redeploy the entire workforce for the period.
35. MBIE does not recommend this option, as given the significant nature of the work, it is likely the remedial work will take a matter of months, and may take up until the end of the contract. For a facility of such a small size, the ongoing logistical challenges of operating MIQ in Wellington continue to outweigh the overall benefits of this option.

### **Next steps**

---

36. MBIE will commence work on your preferred option. Based on the contract conditions, MBIE needs to provide 90 days notice of the exit.
37. MBIE does not recommend that this decision is publically announced. If you do wish to make a public announcement, MBIE will work with your office on the details of this.