



BRIEFING

Withdrawal of NZDF involvement in MIQ

Date:	24 September 2021	Priority:	Medium
Security classification:		Tracking number:	2122-0559

Action sought		
	Action sought	Deadline
Hon Chris Hipkins Minister for COVID-19 Response	<p>Note the proposed plan for the withdrawal of NZDF from MIQ, and indicate your preferred timeframe for this to occur.</p> <p style="text-align: center;">Confidentiality</p> <p>Note that based on the current network size, replacing NZDF occupied roles with an MBIE employed or seconded workforce is expected to cost between \$34.1 million and \$62.3 million in 2021/22, and between \$103.0 million and \$138.9 million in 2022/23, depending on the preferred exit timeframe.</p> <p>Note that subject to your agreement and direction on the proposals in this paper, we will prepare a Cabinet paper for you to seek Cabinet's agreement to the NZDF withdrawal and funding for MIQ to recruit replacement staff.</p>	29 September 2021
Hon Peeni Henare Minister of Defence	For information	N/A

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

The following departments/agencies have been consulted
The New Zealand Defence Force, DPMC (PAG), The Treasury

- 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 Withdrawn |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

This briefing seeks your agreement in principle (subject to Cabinet approval and funding for a replacement workforce) to the withdrawal of the New Zealand Defence Force (NZDF) from the Managed Isolation and Quarantine (MIQ) workforce.

Recommended action

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

- a **Note** that NZDF personnel are currently embedded in every level of the MIQ structure, funded from within Vote Defence Force baselines (with marginal costs of \$44.8 million forecast for 2021/22). Noted
- b **Note** that a number of reviews of the MIQ operating model, most recently the *Rapid Assessment of MIQ*, have identified risks with the model's heavy reliance on NZDF. Noted
- c **Note** that on 9 July 2021, we advised you of the intention to begin to address these concerns by transitioning a small number of NZDF leadership positions (including MIQ Facility Managers) to an MBIE-employed or seconded workforce [briefing 2021-4194 refers]. Noted
- d **Note** that while there is significant uncertainty about both how MIQ and border settings will evolve in 2022, decisions are required this year on the NZDF withdrawal from MIQ and funding for the transition to a more regularised and sustainable security workforce. Noted
- e **Note** that work is also underway to consider the ongoing requirements and sustainability of other MIQ workforces, in particular the health workforce. Noted
- f **Note** that MBIE, in consultation with the NZDF, has developed a plan for the phased withdrawal of the remainder of NZDF personnel from MIQ that would see:
 - Phase one - an initial reduction of 55 NZDF eight hour security shifts per day (~108 FTE) by the end of October 2021 Confidentiality
 - Phase two - all NZDF personnel in non-security roles (233 FTE) phased out by June 2022 Confidentiality
 - Phase three - the remaining 340 NZDF eight hour security shifts per day (~668 FTE) phased out as soon as possible over the course of 12 months, ideally by December 2022 ConfidentialityNoted
- g **Note** that we estimate that the cost of replacing NZDF deployed personnel with an MBIE workforce (and private security where required) according to the timeframes in this plan would be approximately \$34.1 million in 2021/22, and \$103.0 million in 2022/23. Noted

h **Note** that NZDF is unable to provide personnel to support any new MIQ facilities and that existing staff will be repositioned to ensure new facilities contain some experienced staff.

Noted

NZDF withdrawal - phase one

i **Note** that phase one of the transition plan is already underway and we are on track to exit 55 NZDF eight hour security shifts per day by the end of October 2021.

Noted

NZDF withdrawal - phase two

j **Agree** in-principle, subject to Cabinet agreement and funding, to the withdrawal of all NZDF personnel in non-security roles (233 FTE) by June 2022.

Agree disagree

NZDF withdrawal - phase three

k

Confidentiality

Noted

l **Note** that MBIE is struggling to recruit and retain staff in security roles and that recruiting nearly 800 additional security staff by June 2022 (plus any more required if new MIQ facilities are stood up) will present significant supply/demand challenges and is unlikely to be feasible.

Noted

m **Note** that if the size of the MIQ facility network were to decrease by 20% or more as a result of changes in border settings in early 2022, then a June 2022 exit may be achievable.

Noted

n **Note** that if a June 2022 exit is preferred, and if the size of the MIQ network *remains the same* (or increases), MBIE would need to engage private security to replace NZDF staff and/or decrease MIQ capacity (if we were unable to recruit sufficient staff), and the total cost of the withdrawal would increase to approximately \$62.3 million in 2021/22 and \$138.9 million in 2022/23.

Noted

o **Indicate** your preference, subject to Cabinet agreement and funding, for the timeframe for phase three of the plan (the end-date for withdrawal of all NZDF security personnel):

- Option 1 Confidentiality : NZDF security personnel phase out by December 2022;

Agree disagree

- Option 2 Confidentiality : NZDF security personnel phase out by June 2022.

Agree disagree

p **Note** that given the uncertainty around border and MIQ settings from early 2022 onwards MIQ only intends to seek funding this year for 2021/22 and half of the funding for 2022/23 with any further funding sought through Budget 2022 (if required).

Noted

q **Note** that subject to your direction on (j) and (o), we will prepare a Cabinet paper for you seeking Cabinet agreement to and funding for the NZDF withdrawal.

Noted

r **Indicate** whether you would like to meet with officials to discuss any of the proposals presented in this paper.

Yes: / no

Proactive release

- s **Agree** that this briefing will not be proactively released at this time as it contains proposals with employment and commercial implications.

Agree / disagree



Andrew Milne
Associate Deputy Secretary
MIQ, MBIE

24 / 9 / 21



Hon Chris Hipkins
Minister for COVID-19 Response

10 / 10 / 2021

This situation should be reviewed every 2 months. It may be possible to have NZDF withdraw sooner than Dec 2022 but we are not in a position to confirm that right now.

Background

1. MIQ is a multi-agency response to COVID-19. While MBIE has overall responsibility for MIQ, the operating model relies on the support of key partner agencies, including NZDF. Like other aspects of the COVID-19 response, MIQ is transitioning from a state of short-term response to potentially being needed in some capacity for the next three to five years.
2. In December 2020, Cabinet noted that MBIE, in conjunction with other agencies, would look to develop a plan for further normalisation of MIQ operations; in particular to reduce the support required from other agencies where possible [CAB-20-MIN-0511].
3. NZDF has a number of organisational risks as a result of ongoing deployment in support of MIQ. On 4 August 2021, you met with the Minister of Defence and officials to discuss ongoing NZDF resourcing of MIQ.

We are operating in a context of considerable uncertainty as to MIQ demand or settings from 2022 onwards

4. As part of the *Reconnecting New Zealand* programme of work, MBIE is looking at the future of MIQ, including leading work on potential future infrastructure models and workforce needs.
5. There are a number of workstreams in development as part of this programme, including the self-isolation pilot, that have the potential to significantly impact on the future size and scale of MIQ, and the workforce needed to resource this. The situation is extremely fluid as we are yet to see benefit or impact of the self-isolation trial, and do not have any real insight into the conditions needed in a highly vaccinated country for the model to swing more broadly toward short stay and/or self-isolation. We also need to reconsider the current model of the MIQ health workforce.
6. Given the number of variables in play, it is difficult to anticipate what our workforce needs will be in even 6 or 12 months' time across all roles but in particular health and security. A best case scenario is that borders will have significantly re-opened in the next 12 months and by December 2022 we will be reduced to only requiring 1,000 quarantine focussed/MIQ 14 day stay rooms in Auckland and Christchurch. A worst case scenario would see MIQ capacity at even greater levels than it is currently.
7. In the context of this ambiguity, this briefing provides you with MBIE advice on transitioning MIQ away from reliance on the NZDF workforce, and moving to a more sustainable model for the roles they current fill. Decisions on this are required this year in order to commence the transition and recruitment of replacement MBIE staff and/or private security contractors.

NZDF has supported the COVID-19 response since the onset of the pandemic

8. NZDF has assisted with the operation of MIQ facilities since April 2020. Due to well-established command and control and support functions, NZDF personnel were able to be swiftly deployed to MIQ facilities in large numbers.

Current role of NZDF in MIQ

9. NZDF personnel are now fully embedded in each level of the MIQ structure. At the 31 MIQ facilities NZDF's primary role is leadership (with supporting roles) and security. Within MIQ National Office and the three Regional Isolation and Quarantine Command Centres (RIQCCs), NZDF provides operational leadership, planning and logistics expertise. The MIQ Head of Operations (an NZDF secondee) has shared accountability for MIQ with an MBIE Deputy Secretary.

10. NZDF provides security personnel to support 24/7 security coverage at MIQ facilities (395 eight hour security shifts per day). A further 233 NZDF personnel are deployed to non-security roles in MIQ national office, RIQCCs and MIQ facilities. Most NZDF staff are deployed on a rotational basis. These rotations vary by role but can be as short as one week and as long as six months.
11. Additionally approximately 70 NZDF personnel support the MIQ deployment from within NZDF. These staff organise pay, rostering, and cover for absence such as leave and sickness to ensure that NZDF roles are always appropriately staffed.

Current funding

12. On 7 December 2020, Cabinet agreed to fund MBIE for its MIQ operations until the end of June 2022 [CAB-20-MIN-0511]. In terms of the implications for NZDF, Cabinet noted that:
 - up to 990 FTE from the NZDF are deployed to support MIQ services [rec 17];
 - the salary costs of Regular Force personnel is funded within current Vote Defence Force baselines [rec 19];
 - the forecast marginal costs of NZDF support to the MIQ model from 2 October 2020 to 30 June 2022 are \$42.500 million for 2020/21 and \$44.800 million for 2021/22 [rec 20].
13. Cabinet also noted that while alternatives to NZDF resourcing could potentially be secured to support MIQ, a transition period of 6 to 12 months would be needed and that this alternative workforce may come with additional costs and operational risks [rec 18].

There are risks and issues with NZDF's level of involvement in MIQ

14. The reliance on NZDF resources carries with it a number of risks and challenges.

Issues with the rotational model

15. In February 2021, the Chief Executive of MBIE initiated an independent review of MIQ. One of the key recommendations of the ensuing *Rapid Assessment of MIQ* was to reduce the reliance on NZDF for key operational leadership roles within MIQ, particularly where those roles were being staffed by NZDF personnel on short-term deployment. The rotational model has also been identified as a key issue by the Office of the Ombudsman.
16. The MIQ system is complex, and predicated on personnel adhering to a comprehensive suite of national standard operating procedures. The rotational model can lead to a loss of accumulated knowledge and can make it challenging to embed consistency and continuous improvement in the day-to-day operation of MIQ facilities.

Impacts on NZDF's ability to meet other outputs, readiness, trade-training, and engagement

17. NZDF personnel committed to MIQ, including both pre-/post-MIQ requirements, have implications for NZDF's ability to quickly resource other responses and to meet other Defence outputs. One of the main risks consistently identified with the MIQ operating model is the potential for NZDF staff to be required for another response, particularly for unexpected events such as responses to natural disasters, either onshore or offshore.
18. The current community outbreak in Auckland, combined with the Afghanistan response, maintaining national contingency response forces, maritime security, support to Pacific vaccinations, and NZDF's existing commitments to MIQ, are putting significant pressure on NZDF resources. For example; in the current outbreak NZDF was tasked with readying contingency plans to supply up to 250 personnel to cover food distribution issues for supermarkets in Auckland, and has deployed 50 personnel to support Police with regional boundary checkpoints.

19. National security or defence

20. Some other agencies supporting MIQ have their own challenges in terms of attracting and retaining staff and supporting MIQ work alongside core business. However, the impact is most acutely felt by NZDF given that at any one time, it has committed up to 10% of its total workforce for deployment rotations to MIQ.

Free and frank opinions

Free and frank opinions

We are making changes to reduce MIQ's reliance on NZDF

21. In response to the issues set out in paragraphs 17-20 above, we have begun a staged approach to reducing MIQ's reliance on NZDF. In July 2021 we advised you of our intention to transition the 31 MIQ Facility Manager positions and the General Manager Regional Operations Delivery role to an MBIE-employed workforce [2021-4194 refers].
22. The appointee to the General Manager position is expected to start in early October. Recruitment for the MIQ Facility Managers has begun and we expect to onboard the first tranche by November 2021.

We are seeking your agreement in principle to a phased exit of NZDF from MIQ

23. On 4 August 2021, you met with the Minister of Defence and officials to discuss ongoing NZDF resourcing of MIQ. We understand that the outcome of the meeting was broad agreement to a gradual exit of NZDF from MIQ, subject to advice on timing and costs.
24. Given the number of NZDF personnel in the MIQ workforce and the operational capability they bring, any transition needs to be carefully managed. MBIE has developed a transition plan based on the following principles:
- The MIQ workforce is New Zealand's last line of defence against COVID-19. Maintaining critical IPC protocols and practices that prevent COVID-19 from entering the community is paramount, and cannot be compromised by personnel change.
 - Transition to non-NZDF workforce needs to ensure successful transfer of critical knowledge and experience, relationship management and stakeholder confidence.
 - Design of and recruitment to longer-term roles needs to ensure appropriate capability and capacity levels to protect health, safety and wellbeing of staff, and is aligned to work looking at a dedicated MIQ workforce within the *Reconnecting New Zealanders* programme.
 - Appropriate capacity in people leadership and enabling infrastructure needs to be built into the transition plan; this may require additional roles to support an 'in-house' workforce, to account for the offsite NZDF management and enabling services support currently provided.
25. We are not yet in a position to know what will be needed in terms of MIQ in 6 - 12 months' time. However assuming the current scale/capacity requirements of MIQ continue, we are seeking your agreement, subject to Cabinet approval and funding, to:
- All NZDF personnel in non-security roles (233 FTE) phased out by June 2022 Confidentiality
 - The remaining 340 NZDF eight hour security shifts per day (~668 FTE) phased out as soon as possible over the course of 12 months, ideally by December 2022 Confidentiality
- Confidentiality

Phase one: initial reduction of ~15% of the NZDF security workforce by end of October 2021, and no NZDF contribution to new MIQ facilities (underway)

26. NZDF has advised that their immediate withdrawal priority is for a reduction of 55 eight hour security shifts per day (~108 civilian FTE) by the end of October 2021. This represents just under 15% of NZDF's total MIQ security workforce deployment. The cost of this initial reduction is estimated to be \$5.5 million in 2021/22 and \$6.6 million in 2022/23.
27. Work on this is underway and we are currently on track to be able to achieve the initial phase one reduction by the end of October 2021.
28. NZDF has also indicated that they would not be in a position to provide any additional staff to cater for increased staffing numbers required for new MIQ facilities. The workforce costings provided to you for the new facilities [2122-0586 refers] are therefore based on MBIE staff undertaking the operational leadership and support roles, and MBIE and private security undertaking the security duties, that NZDF personnel currently perform¹. We will ensure that the spread of a skilled and experienced workforce is balanced across any new facilities.
29. We understand from your comments on the aforementioned briefing that your preference is for new MIQ facilities to be staffed by MBIE employed security officers. While we are making every effort to recruit as many MBIE MIQ officers as possible by the end of October 2021, a temporary uplift in private security, along with a small increase of AvSec security staff, will likely be required in the short-term to cover the initial 15% NZDF reduction (108 FTE) and security staffing for the Ramada and the potential new Christchurch facility (approximately 160 FTE). We would, however, aim to transition these roles to MBIE employed security personnel as quickly as possible.

Phase two: replacement of NZDF staff in *non-security* roles by June 2022

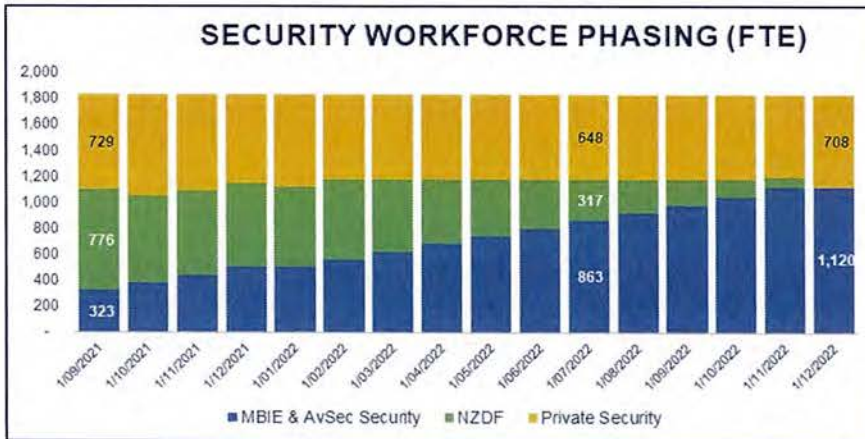
30. As at July 2021, there are 233 NZDF personnel deployed to non-security positions in MIQ. This includes MIQ Facility Managers, as well as planning, coordination and support functions in both National Office and the regions.
31. We propose to phase NZDF out of these 233 positions between October 2021 and June 2022. NZDF is supportive of this withdrawal timeframe.
32. In the October to December 2021 period we plan to focus on key national and regional operational leadership positions, as well as the first tranche of MIQ Facility Managers. From February to June 2022 we would complete the recruitment to the remaining unfilled MIQ Facility Manager positions, and all other roles required to cover NZDF deployed personnel.
33. The cost of replacing NZDF personnel in non-security roles is estimated to be \$6.8 million in 2021/22 and \$35.5 million in 2022/23.

Phase three: replacement of remaining NZDF security staff by December 2022

34. The initial October reduction of NZDF security personnel described in phase one above would bring the NZDF security deployment down to 340 eight hour shifts per day (~668 civilian FTE). We will be rapidly scaling up an intensive cohort-based recruitment, training and induction programme to replace the remaining NZDF security personnel with MBIE employed MIQ Officers as quickly as possible.
35. Our intention is to reframe the security roles to focus more on education and ensuring compliance and to accredit and position the MIQ Officer role as a valued employment proposition, with an attractive training and career progression pathway.

¹ Funding for the new facilities (including workforce costs) is being sought via a separate Cabinet process and is not included in the costings in this paper.

36. We would aim to recruit approximately 60-65 new MIQ Officers per month, which, based on the current network size, and prioritising the reduction of NZDF over private security, would see all NZDF security personnel exit MIQ by December 2022. By 30 June 2022, we would be aiming to have reduced NZDF's security contribution down to 160 eight hour shifts a day (~317 civilian FTE). This would be a reduction of 235 NZDF shifts (459 FTE) from the September starting point.
37. The chart below shows our intended phasing for the withdrawal of the NZDF security workforce and recruitment of replacement personnel based on current network size. This would be adjusted as required to respond to any changes in border settings that result in a downscaling of MIQ capacity.



38. The cost of phase three and taking on the provision of the overall MIQ security workforce is estimated to be \$17.8 million in 2021/22 and \$58.9 million in 2022/23. The costings include the additional supervisory roles that will be required to ensure safe and appropriate MIQ Officer to people leadership ratios for a civilian workforce and funding to cover the difference between our (budgeted) understanding of NZDF's baseline security personnel contribution and theirs.
39. If we do not manage to recruit MIQ Officers to target levels by the end of the 2022 calendar year and MIQ capacity remains at the same level, we may need to look at supplementing the MBIE workforce with additional private security as a short-term solution.

Confidentiality

40. We view December 2022 as an ambitious but potentially achievable timeframe, based on the security workforce labour market and the current size of the MIQ network.

41. National security or defence

42.

National security or defence

43. Given that we are struggling to recruit and retain security staff, recruiting nearly 800 additional MBIE staff (plus any required for new facilities) in approximately nine months (by the end of June 2022) is unlikely to be feasible.
44. However, there are a number of workstreams in development as part of the *Reconnecting New Zealand* programme (such as the self-isolation pilot) that have the potential to impact on the future size and scale of MIQ. Given the number of variables in play, it is likely that our network needs may be less in 6-12 months' time. If the size of the MIQ network were to decrease by approximately 20% (five medium sized facilities), then a June 2022 exit of all NZDF personnel may be achievable.
45. However, if Ministers support a June 2022 exit, and if the size of the MIQ facility network remains the same (or increases), MBIE would need to engage with private security to determine the feasibility of incrementally replacing some NZDF staff with private security. This would greatly increase the proportion of private security staff in MIQ, although we would look to reduce reliance on private security over time. If we were unable to recruit enough replacement staff or contracts by that point, then the only option would be to 'mothball' a facility or facilities and reduce capacity until enough people were recruited to bring them back online.
46. The greatest risk associated with a June 2022 withdrawal would be COVID-19 itself. Having close to 100% turnover of a critical workforce in 12 months could create a serious risk of IPC failures, due to a large influx of inexperienced staff over a short period of time.
47. Commercial information

Estimated total financial impact of MBIE's proposed withdrawal plan

48. We estimate that the total cost of a full NZDF withdrawal from MIQ according to the MBIE proposed timeline would be \$34.1 million in 2021/22, and \$103.0 million in 2022/23. These figures include the one-off project and transition management costs that would be expected in scaling up a recruitment programme of this size at pace.
49. The total estimated financial impact of the withdrawal is summarised in the table below.

Estimated total financial impact (\$m)	FY22	FY23
NZDF withdrawal phase one - initial reduction of 55 eight-hour security shifts per day (~108 civilian FTE) by end of October 2021	\$5.5	\$6.6
NZDF withdrawal phase two - phase out of all NZDF non-security personnel (233 FTE) by June 2022	\$6.8	\$35.5
NZDF withdrawal phase three - phase out of remaining 340 eight-hour security shifts per day (~668 FTE) by December 2022	\$17.8	\$58.9
Project and transition management costs	\$4.0	\$2.0
Total cost	\$34.1	\$103.0

50. In addition to personnel costs, taking on a shift-based workforce of this size would likely require investment in a payroll/rostering IT system, as MBIE's payroll system does not have 24/7 rostering capability. We are currently using AvSec's system for this purpose and contracting them to manage the process. We are exploring alternative options and will advise you on costings in due course.
51. Commercial information

52. Given the uncertainty about future MIQ network and workforce requirements, one approach could be to initially seek Cabinet funding for 2021/22 and just the first six months of 2022/23. We could then report back to you in February seeking the forecast required additional funding for 2022/23 (if necessary) once future network needs are clearer.

Key risks of an NZDF withdrawal (regardless of withdrawal timeframe)

53. NZDF is a core component of the public face of MIQ, and its involvement has been key to public confidence in the MIQ system. There is an increased perception of authority and security that comes from NZDF's uniformed presence. The changes proposed in this paper would represent a pivot away from NZDF being a key partner in MIQ, and could impact on the level of public confidence in the integrity of the system. There would also be risks to manage in terms of potential increased non-compliance.
54. MBIE has struggled to recruit and retain staff in security roles, due to a range of factors including COVID-19 fears and MIQ stigma, and the fact that MIQ security staff are unable to do secondary jobs to supplement their MIQ income. In addition to reframing the roles as focussed on wider compliance, Commercial information
Commercial information The need to recruit approximately 800 staff by December 2022 (or earlier) presents a real risk of demand outweighing the supply of a security workforce, and increases the possibility that we will not be able to appoint people with the right disposition and skill-set.
55. These recruitment challenges will be exacerbated if MIQ funding is only confirmed for a further 12 month period (as per the current intention for COVID-19 response cost pressures), as we will only be able to offer short-term contracts.
56. There is also a risk that if demand for MIQ was to greatly reduce in the future, then MBIE could end up with a much larger workforce than required. Our current network of 31 MIQ facilities requires 1,828 security FTE to resource it. If, in an extreme scenario, we were to rapidly recruit 800 security staff over the next nine months to support a June 2022 NZDF exit, only to then shift to a 1,000 room MIQ border response (which would see our security personnel needs drop to approximately 300 FTE), MBIE would be left with a significant surplus of personnel. If that scenario eventuated then we would exit private security staff (~700 FTE) and release AvSec personnel back to their core duties (~150 FTE) to minimise the need for redundancies.
57. Alternatively, if demand for MIQ continued to increase and we in fact added facilities to the MIQ network, then our security workforce needs could increase to approximately 1,950 FTE.
58. We will continue to closely monitor developments in the network space and slow/cease the planned monthly recruitment of personnel accordingly to ensure that recruitment and network needs remain in sync.

Next steps - Cabinet agreement and funding

59. Indicative costings for the NZDF withdrawal were included in the DPMC briefing you received on 3 September 2021 setting out the funding potentially required to maintain COVID-19 response functions in 2021/22 and 2022/23 [DPMC-2021/22-268 refers].
60. Subject to your direction on the proposals put forward in this briefing, we will prepare a Cabinet paper seeking Cabinet's agreement to and funding for the NZDF withdrawal, and provide this to you as soon as possible. The costings presented in this paper will be further refined as the Cabinet paper is developed.
61. We will also commence project set-up and pre-recruitment activities that will enable us to quickly begin phasing out NZDF personnel if/when Cabinet approves funding for the withdrawal.

62. Given how critical NZDF is to public trust and confidence in the MIQ system, communications about the withdrawal (if agreed) will need to be carefully managed. If Cabinet agrees to the NZDF withdrawal and funding request we would provide you with a detailed communications plan.