



BRIEFING

Future MIQ infrastructure: update on development of programme business case

Date:	2 November 2021	Priority:	High
Security classification:		Tracking number:	2122-1424

Action sought		
	Action sought	Deadline
Hon Chris Hipkins Minister for COVID-19 Response	<p>Note progress in developing a programme business case for future MIQ infrastructure, and that we are on-track to deliver a Cabinet paper as planned for early December.</p> <p>Indicate Agree / Disagree / Discuss on whether the previously established parameters for this work still hold, and your appetite for additional parameters.</p>	5 November 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	Policy Director		

The following departments/agencies have been consulted
Ministry of Health and Treasury have been consulted and provided feedback on this paper. This paper has also been shared with the Department of Prime Minister and Cabinet for review.

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 Withdrawn |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: update on development of programme business case

Date:	2 November 2021	Priority:	Medium
Security classification:		Tracking number:	2122-1424

Purpose

This briefing provides an update on the development of a programme business case to acquire quarantine-standard infrastructure for the medium to long-term, with the associated workforce and operating model. It also provides details on recent activities and next steps, and seeks your indication that operating parameters continue to apply in the current dynamic environment.

Recommended action

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

- a **Note** work is continuing to progress on the development of a Programme Business Case for Future MIQ. *Noted*

- b **Note** there is a risk that the rapidly shifting focus of MIQ may overtake elements of this work. However, we consider that there will continue to be a need for the kind of high-quality managed facilities which are in-scope of this project. *Noted*

- c **Indicate** whether the previously established parameters for this work still hold:
 - a. MIQ playing a role in both border and community cases; **Agree** / Disagree / Discuss

 - a. focusing on hubs in proximity to Auckland and Christchurch airports: North Waikato, Auckland, Christchurch **Agree** / Disagree / Discuss

 - b. focusing on securing around 1,000 existing rooms under Crown control **Agree** / Disagree / Discuss

 - c. sites chosen based on opportunities to build-on additional capacity and/or increase the level of fit-for-purpose quarantine design (by adapting the existing buildings) **Agree** / Disagree / Discuss

 - d. considering purchase and long-term lease approaches **Agree** / Disagree / Discuss

- d **Agree** that the Programme Business Case will also include preliminary advice on potential 'greenfields' development options and sites in other locations, to add depth and range to the analysis undertaken; **Agree** / Disagree / Discuss

e **Note** that MBIE has submitted an initiative related to the Programme Business Case, Detailed Business Cases, and future infrastructure investment through the November omnibus process for COVID-19 response funding needs.

Noted

f **Agree** to share this update with the Hon. Grant Robertson, Minister of Finance as context for his consideration of the November omnibus initiative.

Agree **Disagree**

g **Agree** that this briefing is proactively released, with any appropriate redactions where information would have been withheld under the Official Information Act 1982, following any announcements of policy decisions, noting that various content in this briefing is Commercially Sensitive and Budget Sensitive until such an announcement.

Agree **Disagree**



Kara Isaac
General Manager, MIQ Policy
Managed Isolation and Quarantine, MBIE

3 / 11 / 2021



Hon Chris Hipkins
Minister for COVID-19 Response

...9 / 11 / 2021



Andrew Milne
Associate Deputy Secretary
Managed Isolation and Quarantine, MBIE

3 / 11 / 2021

Background

1. On 28 September you agreed that we develop a Programme Business Case (PBC) for the movement to a purposefully designed MIQ network and core operating model (Future MIQ). This would replace a purely hotel-contracted and multi-agency model of managed isolation and quarantine [2122-1013].
2. We are continuing to work towards a timeline that would see Cabinet consider the PBC on 13 December, and have progressed the development of this work in the intervening weeks.
3. While this work has been occurring, MIQ has also been addressing pressures related to the current community outbreak response. These pressures have driven substantial changes to MIQ's operating model and created potential inconsistencies with the assumptions that underpin the development of the PBC.

Development of the Programme Business Case

4. Consistent with your direction, including in discussions on 28 September, the following parameters are guiding the analysis of the PBC:
 - a. acquiring facilities which could form the core of an MIQ network that is Crown controlled, alongside potential continued use of hotel-contracted capacity;
 - b. considering options from the existing network of MIQ facilities, or near-completed buildings/shells outside of the current network;
 - c. focusing on securing around 1,000 existing rooms under Crown control, with sites chosen based on opportunities to build-on additional capacity and/or increase the level of fit-for-purpose quarantine design (by adapting the existing buildings);
 - d. focusing on hubs in proximity to Auckland and Christchurch airports, and playing a role in both border and community cases;
 - e. considering the existing sites that may be available for purchase or that may be available for long-term lease (where the terms of the lease will enable us to make physical adaptations and/or build additional facilities on the land); and
 - f. understanding both the future operating model and dedicated workforce design options to support the creation of permanent, dedicated MIQ facilities.
5. This work also has the potential to create legacy infrastructure for the health system to manage infectious diseases or respond to a future pandemic.
6. These core requirements are outlined in further detail in the project's non-negotiables, at **Annex One**.
7. Given recent developments, we are keen to confirm that these parameters are still relevant.

There is a risk that the rapidly shifting focus of MIQ may overtake elements of this work

8. While MIQ has predominantly operated as a border response, it is currently being used to support community cases at an unprecedented level.
 - a. At a meeting on 8 October, you outlined an expectation that MIQ would continue to play a role in managing the risk of COVID-19 community transmission, and that currently the risk of transmission from community cases was higher than the risk of transmission from the border.
 - b. The Ministry of Health is currently developing a future model of COVID-19 care, working with us on the role of MIQ as a point of escalation and/or targeted

supplementary capacity alongside other strategies such as primary-care led approaches to treatment and community-based care. We are working with the Ministry of Social Development, District Health Boards, and the Ministry of Housing and Urban Development on approaches to care where there is no MIQ presence.

9. The role and form of MIQ as a border response has been shifting rapidly in recent weeks, with more changes expected in future.
 - a. MIQ requirements will reduce for some border arrivals shortly. Public health officials now consider that all border arrivals are lower risk and with Delta, no longer need to isolate for 14 days. From 14 November border arrivals will now enter MIQ for a period of seven days, plus a further three days of self-isolation.
 - b. Work is underway on longer-term solutions for self-isolation. The self-isolation pilot will be completed by 22 December 2021, with evaluation to follow. MIQ and the Ministry of Health are also providing initial advice to you on scaled home isolation the week of 8 November.
 - c. You have also requested advice on 'bespoke' or sector-specific isolation proposals to meet demand from groups or sectors for alternatives to MIQ [DPMC-2021/22-520/MBIE 2122-1550].
 - d. You and your Cabinet colleagues are due to consider the next phase of Reconnecting New Zealanders on Monday 15 November, which provides indicative timeframes for a gradual reopening of the border.
10. These changes have, or may have, substantial impact on our work for the PBC, and create a risk that elements of the work we are currently undertaking to develop future arrangements will be overtaken by other changes.
11. Nevertheless, even with increased shifts to community-based care approaches and lower-intensity approaches for travellers (such as self-isolation), there is likely to be a continued need for Q-standard facilities which meet stringent infection prevention and control protocols; provide food, accommodation and health services; and where compliance can be supported.
12. We are also continuing to work alongside other agencies involved in planning the staged reopening of New Zealand's air and sea borders over time as part of Reconnecting New Zealanders. Our assumptions are that non-vaccinated New Zealanders, and travellers from very high risk countries, will continue to need some length of stay in managed isolation and quarantine facilities into the medium-term (1+ years) future.
13. In addition, there are key lessons to be learnt from the COVID-19 pandemic in relation to the preparation and investment in maintaining Q-standard facilities and trained workforces to react to possible new COVID-19 variants (e.g. variants which are not as well contained with current vaccines) and other highly transmissible infectious diseases both through the border and within domestic communities. Infrastructure acquired through this process could have a future role in supporting the public health response to infectious diseases other than COVID-19.

Progress on PBC

14. A core MBIE and MIQ leadership team has been established, supported and augmented by a team from Ernst and Young.
15. Other external advisors to develop the PBC have been engaged, including architects Warren & Mahoney, property specialists Colliers and engineers Beca, and dedicated probity support.
16. An Advisory Group has been established, made up of cross-Government officials, iwi representatives and private sector expertise.

17. A draft Strategic Case has been shared with Treasury and other central agencies. This informed a Business Case Clinic undertaken with Treasury on Monday 11 October.
18. Site selection workstream activities have confirmed that – of the long list of 13 existing MIQ facilities located in Auckland, North Waikato and Christchurch, and a further five facilities outside the current network – there are 15 facilities that meet non-negotiable standards. This means that they could feasibly meet the bare minimum of the Crown’s needs.
19. We have applied weighted site selection criteria (based on proposed overall objectives of the Future MIQ programme) to these 15 sites, leading to the identification of eight preferred sites. All assessments were on the basis of currently available information and would require verification through detailed analysis and due diligence phases.
20. As few as six of these potential sites could ultimately yield 1,000 rooms at Q-standard¹, but the identification of eight preferred sites reflects the substantial uncertainty in being able to secure the sites.
21. There is significant risk that, given the short timeframes for this work (with detailed business cases to be completed in the first quarter of 2022), it may not be possible to enter into a commercial arrangement for any acquisition and/or long-term agreement. While there are some mitigations to this risk, the ability to establish 1,000 Crown-operated Q-standard rooms from existing MIQ facilities is inherently uncertain. This is due to the complexities associated with these types of transactions and the presence of private owners and operators.
22. One possible mitigation is the ability to use the Public Works Act 1981 (or other legislative/regulatory levers) for the compulsory acquisition or leasing of sites. However, the programme is proceeding on the basis that this is not the preferred approach.
23. Following initial exploratory work on the viability of options (which are consistent with the parameters set out at paragraph four above), we have also begun considering options which may not fit within these parameters, but which add depth and range to our analysis. These provide alternative options which can be further developed, and include:
 - a. exploring the possibility of ‘greenfields’ sites already under Crown control, as initial exploration has revealed that installing modular units on vacant sites could be completed in as fast as 12 months and offer a durable 10+ year solution; and
 - b. exploring the possibility of sites in the Greater Wellington region in order to provide additional coverage options for the lower North Island and upper South Island, and as mitigation for continuity of Q-standard capacity should other sites become unavailable.
24. Given the variability in the degree to which existing facilities can be upgraded to various levels of IPC requirements, we are also considering the staging of potential acquisitions alongside the need to deliver facilities which can meet stringent IPC protocols. It may be that the highest-quality options take the longest to bring into the system, as a result of remediation or building required.

Budget processes and approach to seeking funding

25. Consistent with your direction, following a discussion between you and the Minister of Finance, we submitted an initiative through the November omnibus budget process for COVID-19 response funding needs seeking:
 - a. funding for PBC and Detailed Business Cases (DBC) costs at a total of \$12.2m; and

¹ Q-standard in this respect may include retrofit of existing hotel ventilation systems to improve the current standard, however this cannot be at the same level as hospitals or a purpose-built quarantine facility.

- b. a contingency related to the future investment that will be needed, which, based on early estimates of existing facilities, will require an investment of more than \$670m in capital, plus further investments related to workforce and operations.² The estimate of \$670m includes acquisition and refurbishment (of approximately 1,000 rooms), plus the cost of building additional capacity of approximately 500 units.
26. You and the Minister of Finance are due to consider initial advice on the proposed omnibus bid initiatives from the Treasury and the Department of Prime Minister and Cabinet (DPMC) on Friday 5 November, before Ministerial and agency consultation begins on Wednesday 10 November. Cabinet is due to consider this omnibus paper on Monday 15 November.
 27. If we are unsuccessful in securing funding through the November omnibus process for COVID-19 response funding needs, the December PBC Cabinet paper provides another opportunity to seek funding.
 28. Our current understanding is that Treasury is likely to recommend funding the PBC through the November omnibus process, but that decisions on the DBC and a contingency for the delivery of the proposed future infrastructure be made in the December Cabinet paper, informed by the PBC.
 29. You may wish to share this advice with Minister Robertson as background for his consideration of the November omnibus initiative.
 30. Securing funding for the delivery of the DBCs and a contingency for the delivery of the proposed future infrastructure will be a critical milestone to ensure that this work can continue. Without this funding, we will be unable to progress this work or undertake commercial negotiations.

Other contextual considerations

We need to start planning for the impact of any changes in operating model on current facilities

31. In the long-term we are planning to move away from contract-based relationships with hotels, towards the facilities being Crown-owned or having long-term leases. For the current network of hotel facilities, there are a number of considerations around how these facilities are transitioned in the future.
32. Subject to the outcomes of the November omnibus process for baseline funding, we will shortly be renegotiating contracts with hotels ahead of the current end-date for most contracts of 30 June 2022. We will need to give the hotels a direction before the end of this calendar year as to the likelihood of a contract extension beyond June 2022.
33. Previously, we provided advice around a facility decommissioning process [2021-3907] and are currently applying this to the Bay Plaza in Wellington. This decommissioning project is on a small scale, which is useful as a first run, but we note that the process for our larger facilities will be more complex. Complexity will likely be heightened for those facilities which we have transitioned from isolation to quarantine to support the management of community cases.
34. In light of our experience with decommissioning to date, it is clear that the process requires both substantial lead-time and resources from MIQ and Health. This is particularly the case if more than one facility being decommissioned within the same period. For the process to happen at scale, MIQ will require a much larger team to assist or manage the

² Work to develop cost estimates is occurring at-pace, and we are continuing to work with the Treasury to provide updated information as it becomes available.

decommissioning of facilities, and there is likely to be a more significant and visible community and commercial impact.

35. Our current contracts with the hotels include a number of termination clauses, although at this point we expect decommissioning to largely use the 90 day termination for convenience clause.³ Current facilities have provided increasing feedback that they will be looking for 3-6 months' notice to prepare for the decommissioning process. This will provide the hotels with sufficient time to plan and implement necessary refurbishments, run marketing campaigns, generate bookings, and otherwise return to normal business practices.
36. We are also cognisant of the impact ending an MIQ contract may have on workforces employed by current facilities. For hotel staff, it is likely that they will remain in their roles as the facilities transition to being hotels again, but there are a range of complexities to navigate around workforce, according to the respective employment agreements in-place.
37. We note there is a significant commercial risk for the hotel sector if we release all or a large number of MIQ hotels back into the market at once. This is particularly the case in Auckland, as 18 large scale hotels could re-enter the market all at once or in a relatively short time frame. We would want to influence and carefully manage the order and speed in which hotels exit the MIQ network.
38. We will provide you with further advice on this in future. You may wish to engage with Minister Nash in his roles as Minister for Economic and Regional Development and Minister for Tourism as you consider future decommissioning of facilities.

Health and Disability Review Transition Unit

39. On Tuesday 12 October, we met with representatives of the Transition Unit, with a view to working towards alignment in the development the future MIQ with early planning underway on the future health system.
40. The Transition Unit was interested in the work to develop future MIQ infrastructure, particularly given the need to plan for the impact on health workforce and high-acuity care demand which would be created by locating facilities in Auckland/Waikato and Christchurch.
41. We will continue to share progress in this work with the Transition Unit, ensuring that the proposed approach to the future of MIQ is reflected in, and aligned with, planning for the future health system.
42. The question of which agency ultimately takes on responsibility for the management and oversight of the Future MIQ network and workforce will continue to be a live issue as we progress into detailed business case and implementation phases. Our planned approach is to develop organisation-agnostic approaches to acquisition/lease, operating model and workforce design, so that any future transition from existing arrangements can be managed as seamlessly as possible.

Next steps

43. You may wish to discuss our approach to the PBC and the impact of the changing context of this work with us when we meet on Thursday, 4 November.
44. Cabinet is due to consider the PBC on Monday 13 December, following consideration by the Social Wellbeing Committee on Wednesday 8 December.

³ The relevant clause for the Elms Hotel in Christchurch—the newest facility which has joined MIQ—cannot be triggered for the first nine months of the contract.

45. To meet this timeframe, we will continue to work to deliver you a draft Cabinet paper the week of 15 November.
46. We will continue to work closely with the Ministry of Health in developing the PBC and Cabinet paper, particularly given future infrastructure will need to be informed by public health considerations and supported by a health workforce.
47. We will continue to work closely with Treasury in developing the PBC, and with Treasury and DPMC on the November omnibus budget process related to this work.

Annexes

Annex One: Project 'non-negotiables'

Annex One: Project ‘non-negotiables’

Non-negotiables

Non-negotiable principles that must be adhered to across any of the options developed.

**MANAGED ISOLATION
AND QUARANTINE**

Non-negotiables	
Domain	Description
Site and location	Proximity Site must be: <ul style="list-style-type: none"> • In either the North Waikato or Auckland regions (North Island) or Christchurch region (South Island), with ~75% of overall capacity to be in Auckland/North Waikato region • Located near a urban centre with a sufficient workforce to service the facilities • Within 30 minutes from a Tertiary Hospital (or large secondary hospital) and proximate to lab testing • Located close to an airport and supporting infrastructure in a way that reduces the quantum of movement required to reduce chances of transmission (airport-MIF transfers, within MIF movements etc). This includes being located within a reasonable distance from DHBs and airports.
	Consultation <ul style="list-style-type: none"> • Appropriate public consultation, engagement and partnership with key local stakeholders (including iwi, local authorities and DHBs, neighbours/neighbouring community. Note: There is appetite and potential to use a fast tracked resource consent process (e.g. a decision to bypass RMA process), meaning some ordinary consultation processes.
	Safety <ul style="list-style-type: none"> • Sites must be able to be secured and have physical perimeter security and boundaries that prevent users from exiting, or members of the public from entering, un-detected • Single controlled entry / exit point • Setback from the boundary [to test with IPC expert]
	Utilities <ul style="list-style-type: none"> • Site must be supported by core utilities, including access to access to high-speed internet and access to 4G and/or 5G signals. • Accessible and secure infrastructure services (power, water, waste, data etc) • Indoor/outdoor visual and recreational amenity within secure footprint
	Time to stand up <ul style="list-style-type: none"> • Ownership/control of the 1000 room capacity to transition to Government within 6-12 months following DBC (noting that this could change and the quickest possible route is desirable). • Approach should enable adding capacity on adjacent land or creating ‘make-shift’ capacity

Non-negotiables

Non-negotiable principles that must be adhered to across any of the options developed.

Non-negotiables	
Domain	Description
Facility design	Capacity and usage <ul style="list-style-type: none"> • Purpose-developed MIQ capacity will be for 1000 rooms spread across multiple sites in two regions. This capacity must be dual use, with separate quarantine zone(s) and managed isolation zones. • The 1000 room capacity will either be from the existing MIQF network or other facilities meeting a design criteria, rather than a green field development. • The potential to add more capacity through purpose-built on adjacent land will be in addition to this capacity (noting there is not a target capacity for further expansion)
	Compliance with accessibility and human rights obligations <p>The facility design must be compliant with NZ's human rights framework (including the Bill of Rights Act and Human Rights Act, and OPCAT), as well with relevant accessibility standards [to be defined for architects and engineers]</p>
	Ventilation and IPC, including for future variants <p>The facilities must have the ability to fit-out full mechanical ventilation (supply and extraction) to achieve negative pressure within returnee rooms, in compliance with ventilation requirements and IPC adherence. This includes being able to maintain strong IPC settings for more infectious variants.</p>
	Waste services <p>Waste must be handled in a safe way that ensures IPC compliance, including appropriate facilities for the disposal of PPE and any clinical waste.</p>
	Staff spaces <p>The facilities should have ample space for separated, on-site workforces, including conference and meeting rooms, and staff break areas. These spaces should be able to enable unconstrained movement through red-zone areas and without compromising room availability. [Test whether there is a potential metric for compromising on room availability i.e. 25%].</p>
	Cohorting <p>The facilities have the capacity and flexibility to separate cohorts within a single facility, with dedicated quarantine and isolation rooms. Specific isolation sites have a separable operational capacity between 150-225 to support cohorting model [this doesn't need to be the operational capacity of the whole facility.]</p>
	Exercise area <p>Must have an appropriate outdoor area for resident exercise, secured within the perimeter.</p>
	Accessible design <p>Must adhere to accessible design principles and universal design principles.</p>
	Security and monitoring <p>The facilities should be capable of full CCTV coverage, associated technologies and appropriate levels of external lighting (noting these can be added) for both security and contact tracing purposes. Further, perimeter controls should enable the restriction of access (ingress and egress).</p>

Non-negotiables

Non-negotiable principles that must be adhered to across any of the options developed.

Non-negotiables	
Domain	Description
Service delivery and operations	<p>Service design and operation upholds Te Tiriti o Waitangi</p> <ul style="list-style-type: none"> Services and operations will be designed in a way that upholds the Crown’s obligations as a Treaty partner. This includes partnerships with iwi, and ensuring services are designed through a Te Ao Māori lens by incorporating Māori lived experiences in the design and delivery of these services and operations.
	<p>Compliance with legislative, regulatory, public health and human rights obligations</p> <ul style="list-style-type: none"> Compliance with public health requirements (including as they change over time during the course of the COVID-19 pandemic) Services and operations will be designed and operate in compliance with any relevant legislative or regulatory obligations (e.g. food safety standards) Services designed and delivered in a way that is compliant with NZ’s human rights framework (including the Bill of Rights Act and Human Rights Act, and OPCAT).
	<p>Services to respond to cohort diversity</p> <ul style="list-style-type: none"> Services to accommodate cohort diversity (i.e. specific requirements for food, religious observation and celebrations, interpreters, appropriate signage, accessibility considerations etc). Services account for the varied support needs of diverse cohorts. This considers how residents either lean on their whānau, spouses, friends, caregivers etc for support or how they provide support to their whānau, spouses, friends and children.
	<p>Services to enhance resident experience and promote whānau, physical, mental and spiritual wellbeing (Te Whare Tapa Whā)</p> <p>Services and operations will seek to promote whānau, physical, mental and spiritual wellbeing. This includes but is not limited to:</p> <p>Taha tinana (physical health)</p> <ul style="list-style-type: none"> Providing entertainment, exercise and other physical wellbeing options for residents Ensuring that meals are nutritious and healthy <p>Taha wairua (spiritual health)</p> <ul style="list-style-type: none"> Ensuring a safe interconnectedness between the natural world and the physical quarantine facilities. This may include access to fresh air, natural light, plants, animals, as appropriate etc. Ensuring spaces for spiritual reflection however that might be defined for residents <p>Taha whānau (family health)</p> <ul style="list-style-type: none"> Supporting whānau and other resident support structure connectedness and social systems during quarantine stay. This considers how residents either lean on their whānau, spouses, friends, caregivers etc for support or how they provide support to their whānau, spouses, friends and children. <p>Taha hinengaro (mental health)</p> <ul style="list-style-type: none"> Mental health and wellbeing support is available for all residents especially cognisant of those with more complex needs.

Non-negotiables

Non-negotiable principles that must be adhered to across any of the options developed.

Non-negotiables		
Domain		Description
Workforce	Workforce requirements	<p>MIQFs must be supported by professional, trained workforces required at level to deliver the services required at the standards required. This includes:</p> <ul style="list-style-type: none"> • Sufficient labour market availability to undertake roles across the operations and with the requisite skills • Cultural competency built into professional expectations of the workforce • Sufficient police / enforcement capacity to ensure compliance with MIQ operations • Workforce capacity models with resilience and contingency built in.
	Public health and site exclusivity	<ul style="list-style-type: none"> • All MIQF staff and visitors to comply with public health requirements. I.e. vaccination against COVID-19 to enter a MIQF. • People who work within MIQF are required to comply with site exclusivity requirements [to confirm]
	Compliance with Health and Safety at Work obligations, and other legislative requirements	Operations will need to ensure compliance with relevant Health and Safety at Work obligations, as well as other relevant legislative requirements (e.g. licencing requirements for use of certain equipment etc)
Governance and strategic	Partnership approach from design to implementation	In partnership with Māori, Te Tiriti o Waitangi and its principles to be considered and priority given at an early stage of any proposed action to ensure that Māori interests are identified and appropriate engagement with the relevant communities is undertaken.
	Government accountability	Government maintains accountability for facilities and how they operate, irrespective of commercial operators' roles.