



BRIEFING

Decommissioning the MIQ network by August 2022

Date:	22 April 2022	Priority:	High
Security classification:		Tracking number:	2122-4081

Action sought		
	Action sought	Deadline
Hon Chris Hipkins Minister for COVID-19 Response	Agree to decommission – and thereby close – the Managed Isolation and Quarantine (MIQ) network in its entirety by August 2022, rather than December 2022 as previously agreed. Agree to consult the Prime Minister and the Minister of Health in making your decision.	27 April 2022
Hon Grant Robertson Minister of Finance		

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, MIQ		
	Principal Policy Advisor, MIQ		

The following departments/agencies have been consulted

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 Withdrawn |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

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Purpose

This briefing seeks your agreement to decommission – and thereby close – the Managed Isolation and Quarantine (MIQ) network in its entirety by August 2022, rather than December 2022 as previously agreed.

Recommended action

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

- a **Note** that on 9 March 2022, the Cabinet Social Wellbeing Committee (SWC), having been authorised by Cabinet to have Power to Act [CAB-22-MIN-0059 refers], agreed that the MIQ network be consolidated into three or four facilities from 1 July 2022, with contracts extended until December 2022 [SWC-22-MIN-0032 refers].
- Noted*
- b **Note** that SWC also authorised the Minister for COVID-19 Response and Minister of Finance, in consultation with the Prime Minister and Minister of Health, to make future decisions on the MIQ Network Transition, subject to decisions having financial implications within the appropriation already agreed by Cabinet [SWC-22-MIN-0032 refers].
- Noted*
- c **Note** that when SWC made its decision, unvaccinated international arrivals were still required to enter MIQ, and demand for MIQ from community cases (as a result of the Omicron outbreak) was also unclear.
- Noted*
- d **Note** that no border arrivals are currently required to enter MIQ, and demand for MIQ from community cases is rapidly declining.
- Noted*
- e **Note** that operating MIQ facilities to December 2022, in the absence of demand (or viable alternative uses for such facilities), has costs and risks.
- Noted*
- f **Agree** to decommission – and thereby close – the MIQ network in its entirety by August 2022, rather than December 2022 as previously agreed.
- MOF: See comment on following page** **Agree** *Disagree*
- g **Note** that, should you agree, we would look to negotiate a two-month extension of our current contracts with these facilities (due to end on 30 June 2022), where hotels may seek increased rates and compensation for loss of business, or decline to extend beyond 30 June 2022.
- Noted*

- h **Note** that we are undertaking readiness planning to ensure that MIQ can be reactivated in the medium-term, if necessary, and that this would be the foundation of a National Quarantine Capability (NQC). *Noted*
- i **Note** that we are in the process of formalising an approach to hotel groups, which would seek to retain a certain number of hotels on contract until June 2023, initially (when MIQ is funded until). *Noted*
- j **Note** that ending contracts with hotels earlier (i.e. August rather than December 2022) would likely result in cost savings in the realm of \$23 million - contingent on commercial negotiations with hotels. *Noted*
- k **Agree** to consult with the Prime Minister and the Minister of Health in making your decision on whether to decommission – and thereby close – the MIQ network in its entirety by August 2022, rather than December 2022 as previously agreed.

Agree Disagree



Andrew Milne
Associate Deputy Secretary
 MIQ, MBIE

22 / 04 / 2022



Hon Chris Hipkins
Minister for COVID-19 Response

25 / 4 / 2022



Hon Grant Robertson
Minister of Finance

28 / 04 / 2022

MOF: With regards to rec (f), I agree in principle with the recommendation to decommission the MIQ network by August 2022. My final agreement is predicated on the provision of the Readiness Plan for re-activation

Background

SWC agreed to taper the MIQ network to four facilities by July to December 2022

1. On 9 March 2022, the Cabinet Social Wellbeing Committee (SWC), having been authorised by Cabinet to have Power to Act [CAB-22-MIN-0059 refers], agreed to accelerate the transition of the MIQ network. The SWC:
 - 1.1. Agreed to decommission at least 21 of 32 facilities before 30 June 2022,
 - 1.2. Agreed to consolidate the MIQ network into three or four facilities in Auckland and Christchurch, extending contracts until December 2022, while retaining clauses which enable early exit through a 90-day notice period, and
 - 1.3. Authorised the Minister of Finance and Minister for COVID-19 Response, in consultation with the Prime Minister and Minister of Health, to make future decisions on the MIQ Network Transition, subject to decisions having financial implications within the appropriation already agreed by Cabinet [SWC-22-MIN-0032 refers].
2. On 17 March 2022, we advised the Minister for COVID-19 Response that we had commenced the decommissioning of 20 facilities, in line with SWC's decision [BR 2122-3112 refers].
3. On 20 March, the Minister for COVID-19 Response agreed to our proposed timeline for tapering the 12 remaining facilities to four by 30 June 2022 [BR 2122-3112 refers].
4. In effect, 28 facilities will be decommissioned by 30 June 2022, and four facilities will remain in the MIQ network from 1 July 2022.

The deactivation of all but the final four facilities has been brought forward

5. There are currently seven facilities remaining in the MIQ network.
6. On 13 April, the Minister for COVID-19 Response agreed to bring forward the deactivation¹ of three of the seven facilities currently in the MIQ network to 30 April (one month earlier than he had previously agreed on 20 March), due to there being virtually no demand for them [BR-2122-4052 refers].
7. As a result, there will be four active facilities remaining in the MIQ network from 1 May 2022:
 - Jet Park Hotel Auckland Airport
 - Holiday Inn Auckland Airport
 - Waipuna Hotel and Conference Centre Auckland
 - Commodore Hotel Christchurch.

We seek your agreement to close the MIQ network by August 2022

8. This briefing seeks your agreement to decommission – and thereby close – the Managed Isolation and Quarantine (MIQ) network in its entirety by August 2022, rather than December 2022 as previously agreed.

¹Despite being deactivated earlier, these facilities may not necessarily be decommissioned earlier (due to MIQ's decommissioning workload). Ninety-day notices have been issued to these facilities.

We expect there to be very little demand for MIQ from July

9. When SWC agreed to retain three or four MIQ facilities until December 2022, there was uncertainty as to future demand for MIQ. Unvaccinated travellers were still required to enter MIQ, and demand for MIQ from community cases (due to the Omicron outbreak) was unclear.

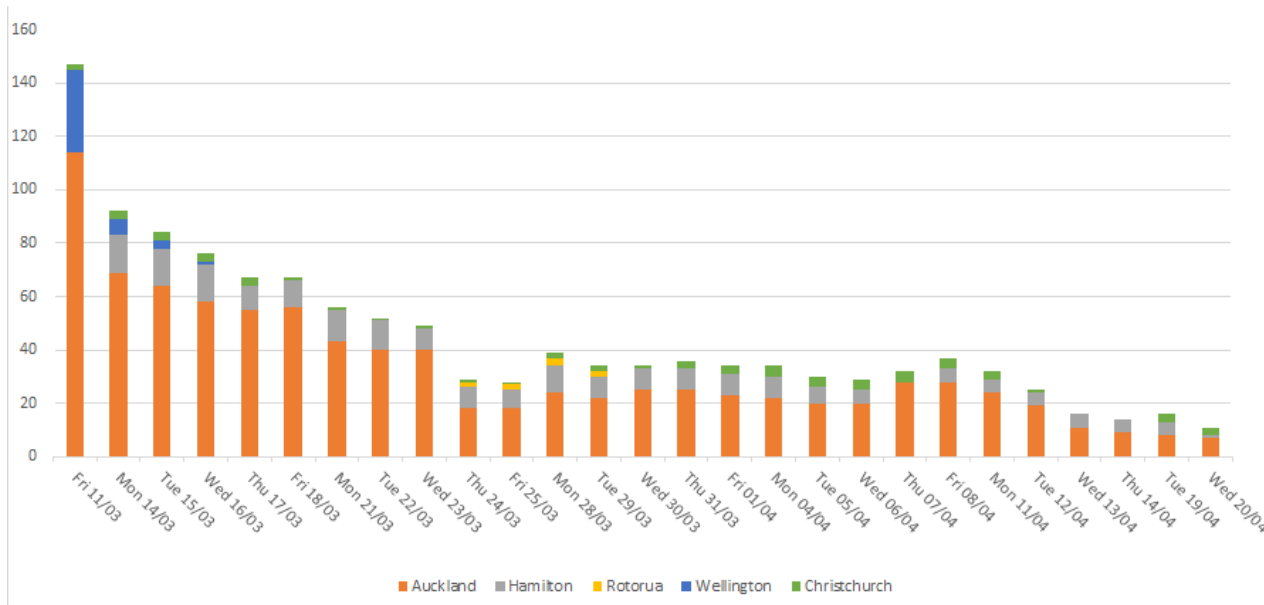
No border arrivals are currently required to enter MIQ

10. On 9 March, we advised SWC that if Cabinet decided to remove the MIQ requirement for unvaccinated international arrivals, demand for MIQ would drop to close to zero [CAB-22-MIN-0070].
11. On 18 March, the requirement for unvaccinated arrivals to enter MIQ was removed. Since then, no people arriving in New Zealand via the air border have been *required* to enter MIQ.
12. There are a small number of maritime arrivals that still enter MIQ under the COVID-19 Public Health Response (Maritime Border Order) 2020. However, these requirements are in the process of being removed to align the Maritime Border Order with the COVID-19 Public Health Response (Air Border Order) 2021.
13. Additionally, on 14 March, Cabinet authorised the Chief Executive of MBIE to *allow* certain border arrivals by air to enter MIQ, even if they are not required to do so [CAB-22-MIN-0072 refers].
14. We have allowed specific groups of people (e.g. international aircrew, Afghanistan arrivals, quota refugees, and Pacific Island maritime crew) to continue to enter MIQ as a transitional measure. We do not intend to authorise any border arrivals to enter MIQ after 30 June 2022. By this date, demand for MIQ is expected to drop off, due to alternative arrangements for these groups being in place [BR 2122-3075 refers].
15. Once amendments to the Maritime Border Order are complete, the only people required to enter MIQ will be arrivals from countries Scheduled as 'Group 3' under the Air Border Order. However, no countries are currently designated as such.

Demand from the community is rapidly declining

16. Demand for MIQ from community cases, particularly during the Omicron peak in Auckland, has been lower than anticipated. Graph 1 illustrates how demand for quarantine rooms² has declined since mid-March.

² While the vast majority of quarantine rooms during this period were occupied by community cases, a number of these rooms were occupied by a) unvaccinated travellers (until 18 March) and b) border arrivals allowed to enter MIQ who tested positive for COVID-19 during their stay.



Graph 1: Quarantine rooms occupied by city from 11 March to 21 April

17. As at 7.30am 22 April, only 16 quarantine rooms (of 524 total) were occupied across the MIQ network.
18. This reduced demand indicates that the COVID-19 Care in the Community Framework and the National Alternative Accommodation Service are meeting the needs of community cases who need to self-isolate.
19. We expect demand for MIQ to continue to decline in concert with the number of cases in the community – notwithstanding the emergence of a new variant of concern.

Keeping MIQ open will have costs and risks

20. Operating MIQ facilities to December 2022, in the absence of demand (or viable alternative uses for such facilities), has costs and risks.

There are fiscal and opportunity costs associated with retaining facilities and staff

21. For as long as any facility remains open, MIQ is required to retain frontline, regional command, and national office staff. Doing so presents both fiscal and opportunity costs (insofar as staff could return to their home agencies, for example, to complete other work).
22. The existence of facilities dictates certain operational and national support functions. Once all MIQ facilities have been decommissioned, the residual MIQ workforce can be scaled down to only those working on readiness planning (i.e. for reactivating MIQ, if necessary), those developing the National Quarantine Capability (NQC), and a small team to deal with residual enquiries, complaints, and reporting matters. It is anticipated that a team of between 30 and 50 staff will be required, and that this team will decrease in size as work progresses.
23. The cost of retaining the four facilities from June to December 2022 is approximately \$39.1 million. This figure includes payment for rooms (including unoccupied rooms), and other costs associated with operating the facilities in a state ready to take arrivals (e.g. having food

on site). The MBIE staffing cost for these four facilities for the same time period is an additional \$9.86 million³, approximately.

There are legal and workforce risks associated with keeping MIQ open

24. Requiring or allowing people to enter MIQ may present increasing legal risk with the passage of time. As border settings and community requirements are relaxed, retaining – and legally requiring people entering facilities to comply with – MIQ’s restrictive regime may not be justifiable (to the extent it is not proportionate to risk).
25. Continuing to operate MIQ facilities, without certainty as to when the network will be closed in its entirety, also presents risk regarding the MIQ workforce – which has entered a formal change process.
26. The revised workforce model (including roles) for the four facilities remaining from 1 July has been finalised. An Expressions of Interest process for staffing those facilities is underway. People who have expressed interest in the remaining roles have done so on the understanding that the roles would end in December 2022. This process cannot be put on hold while decisions are made as there are leadership positions left vacant by departing New Zealand Defence Force staff which need to be filled.
27. Moreover, consultation on national office roles will commence on 2 May. Roles will need to be finalised prior to that date.
28. If any decision is made to decommission the remaining facilities earlier than December 2022, staff will need to be advised as soon as possible to ensure that the consultation process is genuine and fair, and that people can make informed decisions about their future employment.
29. In any event, people in the MIQ workforce are actively seeking new employment. If key personnel were to leave while these facilities remain ‘open’, positions would have to be backfilled. Recruiting people for very short-term (and potentially specialised) roles would likely not be possible. We may, therefore, not have sufficient staff to run the remaining facilities.

We consider there to be no viable alternative uses of MIQ facilities

30. Alongside the Ministries of Health, Social Development, and Foreign Affairs and Trade we have considered alternative uses for the four MIQ facilities from 1 July to December 2022. For example, using facilities for transitional housing, allowing people without an appropriate place of self-isolation to voluntarily enter MIQ, and using MIQ as ‘medi-hotels’ for hospital overflow.
31. We do not consider there to be any appropriate alternative uses of MIQ facilities. In reaching this view, we have considered MIQ’s fiscal appropriation, its legal framework, the nature of its workforce, agency health and safety obligations, demands on other sectors, and hotels’ appetite to serve other purposes (particularly as we begin to ‘open up’ to tourists).

We recommend decommissioning the MIQ network by 31 August 2022

32. Given the lack of demand for MIQ, costs associated with keeping facilities open, and there being no viable alternative uses for facilities, we consider it prudent to decommission – and thereby close – the MIQ network in its entirety by 31 August 2022.

³This figure does not factor in any redundancy costs or private security costs (if private security is required to ‘top up’ residual staff).

33. The four facilities would be operational (and therefore able to accommodate people in Auckland and Christchurch, should such demand exist) until 31 July 2022. Hotels would then have one 'empty month' to prepare for re-entering the market (as has been the case for other hotels).
34. Remaining operational until 31 July 2022 would provide a 'winter buffer' for any surges in COVID-19 community case numbers. However, some or all facilities could be deactivated sooner if circumstances required.

Work is underway to prepare for reactivating MIQ, if required

35. We are alive to potential concerns about closing the MIQ network while COVID-19 still presents risk to New Zealand.
36. In that vein, we are undertaking readiness planning to ensure that MIQ can be reactivated, if necessary, in the short to medium-term and before any investment options proposed by the NQC business case would become available.
37. Initially we would look to reinstate MIQ, in its current form, to respond to COVID-19 (e.g. a virulent, vaccine-escaping variant). In undertaking this planning, our assumption is that MIQ would only be reactivated following a broader shift in our COVID-19 response (e.g. changes to border settings). Over time, we would look to refine the plan and address some of the limitations of the current MIQ system.
38. Whilst we have decoupled decommissioning and retainer negotiations with hotels, we have informally tested hotels' appetite regarding retainers as part of our readiness planning. In the main, hotels are warm to this idea.
39. We are in the process of formalising an approach to hotel groups, which would seek to retain a certain number of hotels on contract until June 2023, initially (when MIQ is funded until).
40. We expect to have a first version of a Readiness Plan complete by the end of May. In its final form, the Plan will include:
 - A sequenced approach for rapidly implementing functions to reactivate MIQ (including Standard Operating Procedures)
 - A blueprint of the current MIQ operating model
 - Insights gleaned from MIQ's operation in 2020-2022 (including lessons learned and alternative options for parts of the MIQ system)
 - A talent directory of critical personnel
 - A supplier directory
 - Details of how the plan will be regularly reviewed and maintained.
41. We will be updating the Minister for COVID-19 Response on the scope of the Readiness Plan and associated timeframes in the week of 2 May.

Should you agree, we will need to negotiate with the four hotels

42. We had been negotiating contracts with the four hotels to remain in the MIQ network. Negotiations with these hotels were entered into on the basis that they will be contracted from 1 July to December 2022. In good faith, we have paused negotiations until receipt of your decision on this advice. Hotels are aware that we may look to contract for a shorter period of time.

43. Should you agree to decommission the MIQ network by 30 August 2022, we would look to negotiate a two-month extension of our current contracts with these facilities (due to end on 30 June 2022), rather than re-negotiating new contracts.
44. We expect that these hotels will seek to increase the rates they charge, including their 'unoccupied' room rates (noting that demand is expected to be virtually non-existent). We also understand that hotels may also seek compensation for loss of business, due to having been named as remaining in the MIQ network until December 2022.
45. There is also a risk that these four hotels reject a two-month extension and choose to exit the MIQ network on 30 June 2022.
46. Should you agree to decommission the MIQ network on 30 August 2022, we would issue the four hotels with 90-day notices of termination 31 May 2022. We would offer these hotels the same arrangement as other facilities exiting the MIQ network: Commercial information
47. Once the facilities had been notified of the decision to decommission by August 2022, it's likely that only a significant change in COVID-19 settings (e.g. changes to border settings) would enable us to retract notices of termination before then (e.g. to enter into new, longer contracts with facilities). In this scenario, retainers would come into play (should hotels agree to enter into such arrangement).

Should you decide to retain four facilities until December, we will proceed as intended

48. Should you disagree to decommission the MIQ network by August 2022, we will proceed with commercial negotiations as planned.
49. In contracting four facilities to December 2022, we would look to have in place a minimum of 90-day rolling termination provisions. In effect, you could still decide to decommission the MIQ network prior to December, even if you decide against doing so at this time.

Decommissioning earlier may result in cost savings

50. Decommissioning MIQ facilities involves a number of fixed and variable costs. Decommissioning the final four MIQ facilities will cost approximately \$15.9 million, regardless of when it takes place (i.e. August or December 2022).
51. However, ending contracts with hotels earlier (i.e. August rather than December 2022) would likely result in cost savings in the realm of \$23 million. However, the extent to which these cost savings are realised will be contingent on commercial negotiations with hotels (as previously discussed).
52. Closing facilities in August rather than December 2022 would result in an MBIE staff cost saving of approximately \$5.63 million.⁴

Separate work is underway to respond to the tail end of COVID-19

Alternative accommodation remains available for community cases

53. MBIE's National Alternative Accommodation Service (NAAS) is funded to 30 June 2022.

⁴This figure does not factor in any redundancy costs or private security costs (if private security is required to 'top up' residual staff).

54. We understand that advice is being provided to Ministers in May 2022 regarding ongoing funding for alternative accommodation as part of the Ministry of Health's (MOH) report back on the Care in the Community Framework.

DPMC and MOH are planning for winter and new variants of concern

55. The Department of the Prime Minister and Cabinet (DPMC) and MOH are undertaking work to plan for any surge in cases during winter, and the emergence of new COVID-19 variants of concern.
56. We understand that separate advice was put to Cabinet on 21 March on this matter [CAB-22-MIN-0086 refers].

Next steps

57. Should you agree to decommission the MIQ network in its entirety by August 2022, we will commence negotiations with the four remaining facilities to that end.
58. Should you decide against doing so, we will proceed with commercial negotiations as planned (i.e. contracting four facilities to December 2022).
59. We will keep you updated of any significant issues that arise in the course of doing so.