



## BRIEFING

### Funding self-isolation arrangements for Air New Zealand aircrew travelling on higher-risk routes

<b>Date:</b>	3 February 2021	<b>Priority:</b>	Medium
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	MBIE: 2021-2009

Action sought		
	Action sought	Deadline
Rt Hon Jacinda Ardern <b>Prime Minister</b>	<b>Agree</b> to fund the accommodation, food and transport costs of Air New Zealand air-crew self-isolating in hotels from the MBIE MIQ appropriation on an interim basis (until 14 March 2021).	9 February 2021
Hon Grant Robertson <b>Minister of Finance</b>		
Hon Chris Hipkins <b>Minister for COVID-19 Response</b>		
Hon Michael Wood <b>Minister of Transport</b>	<b>Copy</b> for your information	
Hon David Parker <b>Associate Minister of Transport</b>		

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Megan Main	DCE Managed Isolation and Quarantine (MIQ)	Privacy of natural persons	✓
Privacy of natural persons	Policy Manager, Systems and Strategy, MIQ		

The following departments/agencies have been consulted
Ministry of Health, the Treasury, Ministry of Transport

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 Withdrawn           |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

To advise you of the costs involved in funding accommodation, food and transport for Air New Zealand air-crew self-isolating in hotels after travelling on higher-risk routes, and seek agreement to funding these costs from the MBIE MIQ appropriation on an interim basis until 14 March 2021.

#### Executive summary

Under the COVID-19 Public Health Response (Air Border) Order (No 2) 2020 and the COVID-19 Public Health Response (Isolation and Quarantine) Order 2020, New Zealand-based aircrew travelling on designated higher-risk routes are required to self-isolate at a nominated place (eg at home) or in a hotel for at least 48 hours after they return, and until they have returned a negative COVID-19 test result. Air New Zealand has been contracting Commercial Information in Auckland for this purpose, with MBIE meeting the accommodation and food costs, per an earlier agreement between the Ministry of Health (Health) and Air New Zealand.

On 15 December 2020, the Minister for COVID-19 Response wrote to Air New Zealand and requested that all aircrew travelling on higher-risk routes complete their self-isolation period and associated testing in a hotel arranged by Air New Zealand, and that dedicated transport be used.

Air New Zealand has requested that the Government cover the costs associated with this strengthened arrangement, which has been in place since 18 January 2020. Approximate costs for the period 18 January 2021 to 14 March 2021 are expected to range from \$413,000 - \$1,265,000, depending on whether the list of higher-risk routes is expanded to include routes other than the two currently designated routes (Los Angeles and San Francisco).

Funding for self-isolation hotels was not part of the MIQ operating model funding package agreed by Cabinet on 7 December 2020. However at this meeting, Cabinet did authorise the Prime Minister, the Minister of Finance and the Minister for COVID-19 Response to have Power to Act to take further decisions on adjusting the funding levels for MBIE MIQ following further advice on reducing its costs [Cab-20-MIN-0511, rec 16]. Any long-term reprioritisation of funding within the MBIE MIQ appropriation will require Cabinet approval and consideration alongside other emerging demands on the MIQ appropriation.

An alternative funding option would be for Air New Zealand to meet its aircrew self-isolation hotel costs.

Legal professional privilege

Health has commenced a review of Air New Zealand's arrangements for aircrew returning to New Zealand after travelling on higher-risk routes. They are also scoping work to establish whether the policy settings in the Air Border Order and the Isolation and Quarantine Order remain fit for purpose. Health expects to provide initial advice to the Minister for COVID-19 Response on these workstreams in February 2021.

We recommend that MBIE MIQ continues to fund the Air New Zealand self-isolation hotel arrangement in the short-term (until 14 March 2021) through the current MBIE MIQ appropriation. At that point, the public health position on self-isolation should be clearer, and funding arrangements can be reassessed. If the aircrew self-isolation settings are unchanged by mid-March, we will work with relevant agencies on sustainable funding arrangements, and provide further advice to Ministers.

## Recommended action

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

- a **Note** that under the COVID-19 Public Health Response (Air Border) Order (No 2) 2020 and the COVID-19 Public Health Response (Isolation and Quarantine) Order 2020, New Zealand-based aircrew travelling on designated higher-risk routes are required to self-isolate at a nominated place (eg at home) or, if their home environment is inappropriate, in a hotel, for at least 48 hours after they return and until they have returned a negative COVID-19 test result;
- Noted*
- b **Note** that to date, MBIE has been covering the accommodation and food costs for the small number of Air New Zealand aircrew opting to complete their self-isolation period in an Air New Zealand contracted hotel, at a cost of approximately \$60,000 per month;
- Noted*
- c **Note** that on 15 December 2020, the Minister for COVID-19 Response wrote to Air New Zealand and requested that all Air New Zealand aircrew travelling on higher-risk routes self-isolate in hotels arranged by Air New Zealand, with a COVID-19 test at 48 hours and release after a negative test result, and that dedicated transport be used to and from these facilities;
- Noted*
- d **Note** that costs for the strengthened arrangement for the period 18 January 2021 to 14 March 2021 are expected to range from approximately \$413,000 - \$1,265,000, depending on whether the list of higher-risk routes is expanded to include routes other than Los Angeles and San Francisco;
- Noted*
- e **Note** that on Monday 7 December 2020, Cabinet:
- agreed to fund the MIQ system to June 2022, including \$1,481 million for costs MBIE is responsible for managing (incorporates contracts with hotel providers), \$191.1 million for the estimated cost of health care services to support MIQ (into the Health appropriation), and \$24.6 million for transport sector costs (into the Transport appropriation) [Cab-20-MIN-0511 refers]; and
  - authorised the Prime Minister, the Minister of Finance and the Minister for COVID-19 Response to have Power to Act to take further decisions on adjusting the funding levels for MBIE following further advice on reducing its costs [Cab-20-MIN-0511, rec 16];
- Noted*
- f **Note** that funding for self-isolation hotels was not part of the MIQ operating model funding package agreed by Cabinet in December 2020 and that any long-term reprioritisation of funding within the MBIE MIQ appropriation would require trade-offs;
- Noted*
- g **Note** that a decision to fund self-isolation hotels on a long-term basis through reprioritisation of approved funding, or a request for additional funding from the COVID-19 Response and Recovery Fund, will need to be approved by Cabinet;

Noted

- h **Note** that Health is undertaking a review of self-isolation arrangements for New Zealand-based aircrew travelling on higher-risk routes, and the Air Border Order and Isolation and Quarantine Order more generally, with initial advice expected in February 2021;

Noted

**EITHER**

- i **Agree** to fund the accommodation, food and transport costs of Air New Zealand aircrew travelling on higher-risk routes on a short-term basis (until 14 March 2021) from the Vote Building and Construction, Isolation and Quarantine Management MCA; **(recommended option)**

Agree/Disagree/Discuss

**OR**

- j **Agree** that Air New Zealand meet the accommodation, food and transport costs of their aircrew travelling on higher-risk routes

Legal professional privilege

Agree/Disagree/Discuss

- k **Note**

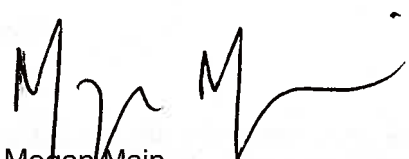
Legal professional privilege

Legal professional privilege

Noted

- l **Note** that MBIE will provide you with further advice about ongoing sustainable funding options for Air New Zealand aircrew self-isolation arrangements in late February 2021, once the public health position on self-isolation is clearer.

Noted



Megan Main  
DCE, Managed Isolation and Quarantine  
MBIE

3 / 02 / 2021

Hon Chris Hipkins  
Minister for COVID-19 Response

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Hon Grant Robertson  
Minister of Finance

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Rt Hon Jacinda Ardern  
Prime Minister

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## Background

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### Self-isolation for aircrew

1. Under the COVID-19 Public Health Response (Air Border) Order (No 2) 2020 (Air Border Order) and COVID-19 Public Health Response Isolation and Quarantine Order 2020 (Isolation and Quarantine Order), overseas-based aircrew are required to enter Managed Isolation and Quarantine (MIQ) for the duration of their layover in New Zealand. New Zealand based aircrew who meet key safety standards overseas are largely exempt from this requirement<sup>1</sup>. Aircrew travelling on higher-risk routes can self-isolate at home or in a hotel arranged by their employer for at least 48 hours after their return, and until they have received a negative COVID-19 test.
2. Air New Zealand has been using the **Commercial Information** in Auckland for those aircrew unable to self-isolate at home. To date, Air New Zealand has contracted with **Commercial Information**, and the Ministry of Business, Innovation and Employment (MBIE) has paid the invoice for aircrew food and accommodation. This funding arrangement is per a Ministry of Health (Health) agreement with Air New Zealand, effective 25 August 2020, prior to MBIE taking over as Lead Agency for MIQ. At the time, Health advised Air New Zealand that the arrangement would be reviewed at a point in the future. As at 26 January 2021, MBIE has paid approximately \$217,100 (roughly \$60,000 per month) in aircrew self-isolation hotel costs.
3. A self-isolation hotel is different to a Managed Isolation Facility (MIF) in that it is not subject to the same level of health assessments, Infection and Prevention Control (IPC) procedures, security or wraparound support as a MIF. That said, aircrew in self-isolation hotels must comply with self-isolation guidance requirements in the Air Border and Isolation and Quarantine Orders, and there are some IPC processes embedded in Air New Zealand's contract with **Commercial Information**.

### Strengthened self-isolation arrangements for New Zealand-based aircrew

4. On 14 December 2020, Health provided the Minister for COVID-19 Response with advice on how self-isolation processes could be strengthened to better manage the risk of COVID-19 transmission into the community posed by aircrew returning from layovers designated as higher-risk (Health Report 20202289 refers). The advice recommended:
  - [all] aircrew returning from layovers in higher-risk countries to isolate in an Air New Zealand provided hotel with a COVID-19 test at 48 hours and released after a negative test result (likely to be at least three days total stay);
  - that aircrew returning from layovers in higher-risk countries may not take further domestic flights within New Zealand until they return a negative COVID-19 test;
  - dedicated transport to take Air New Zealand aircrew directly to such hotels on arrival;
  - that all staff at such facilities are tested regularly as part of their conditions of employment; and
  - that Health and Transport commence a joint review of Air New Zealand's arrangements for returning aircrew from high risk layovers.

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<sup>1</sup> Unless a Medical Officer of Health has determined that they have a high risk of exposure to COVID-19, or they have been outside New Zealand for more than seven days, have travelled domestically while outside the country and a medical officer of health has determined that Part 1 (Requirements for isolation and quarantine generally) of the Isolation and Quarantine Order should apply to them (see <https://gazette.govt.nz/notice/id/2020-go5897>)

5. We understand that these recommendations were agreed via an oral item at Cabinet in December 2020.
6. Following the Cabinet discussion, the Minister for COVID-19 Response wrote to Air New Zealand on 15 December 2020 and requested that these strengthened self-isolation and transport arrangements be implemented.
7. On 4 January 2021, Air New Zealand CEO Greg Foran wrote to the Minister for COVID-19 Response and confirmed that from 18 January 2021, all New Zealand based aircrew travelling on higher-risk routes will self-isolate in facilities arranged by Air New Zealand. Self-isolation at home will no longer be an option. In addition, he confirmed that dedicated transport will be used for all crew travelling on higher-risk routes, and that (from 27 December 2020) these crew have not been permitted to take domestic flights within New Zealand until the 48-hour self-isolation has been completed and a negative test returned.
8. This is a voluntary arrangement between Air New Zealand and the Minister for COVID-19 Response. There is no voluntary arrangement with other commercial or private charter airlines at this time.
9. Air New Zealand has requested that the Government cover the accommodation, food and transport costs associated with this new arrangement, as well as other additional operating costs involved in extending duty time for aircrew (due to the need to self-isolate).
10. Air New Zealand has also advised that **Commercial Information** is no longer suitable as the number of crew travelling on higher-risk routes under the strengthened arrangement will exceed available room capacity. There have also been issues in terms of **Commercial Information** ability to meet pilot union hotel standard requirements. MBIE and Health have worked with Air New Zealand to identify a new hotel that would be suitable. We understand the **Commercial Information** **Commercial Information** has been secured from 5 February 2021 on a four week (Air New Zealand held) contract.
11. This paper outlines the potential costs of funding the self-isolation hotel arrangement, and provides advice on how these costs might be met in the short-term.

## Indicative scale of costs involved

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12. Prior to the introduction of the arrangement, only aircrew returning from higher-risk routes who were unable to self-isolate at home had self-isolated in a hotel (approximately 15-20 aircrew each week). The strengthened arrangement (including the addition of transport costs) will require significantly more rooms and funding.
13. Approximately 50 aircrew are expected to enter New Zealand each week from the two currently designated higher-risk routes (Los Angeles and San Francisco). If a new contract was agreed with a hotel of a similar or slightly higher standard to the **Commercial Information** (so as to meet pilot union requirements), the indicative accommodation, food and transport costs for 50 rooms each week would be around \$223,936 per month. This compares to the approximate costs associated with operating 50 rooms in a comparable Auckland MIF of \$274,517 per month (note that the MIF figure represents average costs incurred by MBIE only and excludes those of other partner MIQ agencies<sup>2</sup>).

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<sup>2</sup> MIQ partner agencies are the New Zealand Defence Force, New Zealand Police, Ministry of Health, and the Aviation Security Service.

14. Health is currently reviewing the layover risk assessment model. If additional 'higher-risk routes' were established and the requirements were extended to all ports that Air New Zealand is currently serving (except those in Australia and the Pacific), then it is expected that an additional 103 aircrew would need to self-isolate per week. The potential costs would therefore increase to \$685,244 per month.
15. These estimates are set out in the table below. We have also provided estimates for 80 rooms per week as an indicative median point and estimates up until 14 March 2021 (as an interim period), and up until the end of June 2022 (on a longer term basis).

**Table 1: indicative scale of potential accommodation, food and transport costs for Air New Zealand aircrew returning from higher-risk routes**

	50 rooms per week (based on current higher-risk routes)	80 rooms per week	153 rooms per week (all routes except Australia and the Pacific)
Room (3 nights)	\$143,033	\$228,852	\$437,679
Food (3 nights)	\$63,570	\$101,712	\$194,524
Transport	\$17,333	\$27,733	\$53,040
<b>Total cost per month</b>	<b>\$223,936</b>	<b>\$358,297</b>	<b>\$685,244</b>
<b>Total cost 18 Jan 2021 to 14 Mar 21 (8 weeks)</b>	<b>\$413,420</b>	<b>\$661,472</b>	<b>\$1,265,065</b>
<b>Total cost 18 Jan 2021 to 30 June 2022 (17.5 months)</b>	<b>\$3,918,877</b>	<b>\$6,270,203</b>	<b>\$11,991,764</b>

Figures are GST exclusive. Based on approximate hotel and transport costs to a 4.5 star Auckland hotel on a non-exclusive use contract. Assumes each crew member will self-isolate for three days.

## **Option 1: MBIE continues to fund this arrangement in the interim**

16. We recommend that MBIE continues to fund the costs of Air New Zealand's arrangement with the self-isolation hotel on an interim basis until 14 March 2021. This will ensure that costs associated with aircrew self-isolating at the hotel are met while a longer term funding arrangement is identified.
17. Health has undertaken to provide initial advice in February 2021 on its review of Air New Zealand's arrangements for aircrew returning to New Zealand after travelling on higher-risk routes, and whether the policy settings in the Air Border Order and the Isolation and Quarantine Order remain fit for purpose. Health is also considering whether any additional higher-risk routes should be established. Any longer-term funding decisions should be made following the outcomes of the Health reviews.
18. On Monday 7 December 2020, Cabinet agreed to fund the MIQ system to June 2022. This includes \$1,481 million for costs that MBIE is responsible for managing, \$191.1 million for the estimated cost of health care services to support MIQ (into the Health appropriation), and \$24.6 million for transport sector costs (into the Transport appropriation) [Cab-20-MIN-0511 refers]..

19. Cabinet also authorised you (the Prime Minister, the Minister of Finance and the Minister for COVID-19 Response) to have Power to Act to take further decisions on adjusting the funding levels for MBIE following further advice on reducing its costs [Cab-20-MIN-0511, rec 16].
20. Although there is potentially scope for this spend within the Isolation and Quarantine Management Multi-Category Appropriation, funding self-isolation hotels was not included as part of the MIQ operating model and MBIE MIQ funding package that Cabinet agreed in December 2020.
21. MBIE and the Treasury agree there is currently no identified underutilised funding in the MIQ appropriation which could be redirected to fund self-isolation hotels on a long-term basis without trading off key MIQ outcome(s) agreed by Cabinet. It is possible that ongoing work to reduce costs will identify savings which could partially or fully fund self-isolation hotels without trading off other outcomes.
22. Treasury advises that any decision to fund self-isolation hotels on a long-term basis through reprioritisation of approved funding, or a request for additional funding from the COVID-19 Response and Recovery Fund will need to be approved by Cabinet (Cabinet Manual 5.12(a) and (c)).
23. Any reprioritisation would need to be considered alongside additional demands on the MIQ appropriation over the next 18 months depending upon border restrictions, safe travel zones and the rollout of the vaccine. For example, implementing pre-departure testing has led to additional requirement needs to manage enquiries.

#### Legal advice

24. Legal professional privilege

25.

26.





## Option 2

Legal professional privilege

27. If you do not agree to fund the self-isolation hotel arrangement via the MBIE MIQ appropriation until 14 March 2021, then the alternative could be that Air New Zealand cover the costs of operating a self-isolation hotel.

28. Legal professional Privilege, Confidential advice to Government

29.

30. Legal professional privilege

31. Legal professional Privilege, Free and Frank Opinions

32. Legal professional privilege

33. Legal professional Privilege, Confidential Advice to Government

## Recommended way forward

34. If you agree that MBIE continue to fund the self-isolation hotel on an interim basis, until 14 March 2021, this will be met through Vote Building and Construction, Isolation and Quarantine Management MCA. If Ministers instead decide that Air New Zealand should meet these costs

Legal professional privilege

Legal professional privilege

35. Once Health has completed its reviews and the public health position on self-isolation is clearer, funding arrangements can be reassessed, and advice provided to Ministers on ongoing funding options.

36. If the aircrew self-isolation settings are unchanged by mid-March 2021, we will work with Health and Transport on sustainable funding arrangements, and provide you with further advice.