



## BRIEFING

### Options for funding of self-isolation arrangements for Air New Zealand aircrew travelling on higher-risk routes

<b>Date:</b>	21 April 2021	<b>Priority:</b>	High
<b>Security classification:</b>		<b>Tracking number:</b>	MBIE: 2021-3278

Action sought		
	Action sought	Deadline
Rt Hon Jacinda Ardern <b>Prime Minister</b>	<b>Agree</b> to continuing the current arrangement for funding the accommodation, food and transport costs of Air New Zealand air-crew self-isolating in hotels until 30 June 2021	28 April 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
Kara Isaac	GM MIQ Policy	Privacy of natural persons		✓
Privacy of natural persons	Policy Manager, Systems and Strategy, MIQ			
	Senior Policy Advisor			

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 Withdrawn           |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:



## BRIEFING

### Options for funding of self-isolation arrangements for Air New Zealand aircrew travelling on higher-risk routes

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#### Purpose

To seek agreement on ongoing funding arrangements for an Air New Zealand contracted self-isolation hotel (currently, the Grand Windsor).

#### 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 for at least 48 hours after they return, and until they have returned a negative COVID-19 test result.

Since 4 February 2021, Air New Zealand has been contracting with the Grand Windsor in Auckland for its New Zealand-based aircrew to self-isolate. The Ministry of Business Innovation and Employment (MBIE) has been meeting the cost of accommodation, transport and food, as per an earlier agreement with the Ministry of Health (MOH). On 3 February 2021, you agreed that MBIE continue to fund that arrangement until 14 March 2021.

MBIE subsequently extended this funding arrangement until 30 April 2021. We had been waiting on advice from MOH regarding New Zealand-based aircrew travelling on higher risk routes and MOH's proposed amendments to the Air Border Order before proposing any longer term funding arrangements. We understand this advice is due to the Minister for COVID-19 Response in May 2021.

The current arrangement between Air New Zealand and the Grand Windsor provides that Air New Zealand has exclusive occupancy of the hotel. The payment of invoices is based on the total number of rooms at the Grand Windsor (79 rooms), rather than the number of rooms that are occupied. The average number of rooms occupied at any given time is 43 rooms (or 55 per cent), leaving on average 36 unoccupied rooms that we are paying for.

#### Commercial information

We recommend that MBIE continues to fund the existing arrangement between Air New Zealand and the Grand Windsor until 30 June 2021. This allows for some business certainty for Air New Zealand and provides committed stability towards the wellbeing of its aircrew. MBIE has funding available within the existing MIQ appropriation to fund the arrangement until 30 June 2021.

The alternatives are that MBIE continues to fund the arrangement until 30 June 2021 and enters the arrangement by becoming a party to the contract, or that we no longer fund the arrangement from 1 May 2021. The former would require significant engagement with the current parties to the arrangement, which would be complex. The latter would mean ceasing all funding in the next few days and providing Air New Zealand with insufficient opportunity to prepare and budget for the next two months.

We also recommend that from 1 July 2021, Air New Zealand is responsible for funding its self-isolation hotel arrangement. We recommend that this approach is conditional on the basis that New Zealand-based air crew are subject to the requirement that they self-isolate (depending on MOH advice). If requirements for New Zealand-based aircrew change so that they are subject to managed isolation requirements, then they will be required to enter Managed Isolation Facilities (funded by MBIE MIQ) and the arrangement between Air New Zealand and its self-isolation hotel would end.

Commercial information

Commercial information

We considered other alternatives, such as whether MBIE should enter the contractual arrangements on a long term basis. Given that it is not a managed isolation facility, we do not consider there are reasons for MBIE to be a party to an arrangement relating to self-isolation.

## Recommended action

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 for at least 48 hours after they return, and until they have returned a negative COVID-19 test result.

*Noted*

- b **Note** New Zealand-based aircrew have been isolating at the Grand Windsor, an Air New Zealand contracted self-isolation hotel;

*Noted*

- c **Note** that the average number of rooms occupied at any given time is 43 rooms, leaving on average 36 unoccupied rooms empty that we are paying for ;

*Noted*

- d Commercial information

*Noted*

### Short term options

- e **Agree** that MBIE continues to fund the existing arrangement between Air New Zealand and the Grand Windsor until 30 June 2021 (**recommended**);

*Agree/Disagree/Discuss*

Or

- f **Agree** that MBIE continues to fund the arrangement until 30 June 2021 and enters the arrangement as a party;

*Agree/Disagree/Discuss*

Or

- g **Agree** that MBIE no longer funds the arrangement from 1 May 2021;

*Agree/Disagree/Discuss*

*Long term options*

- h **Agree** that Air New Zealand is responsible for funding its self-isolation hotel arrangement from 1 July 2021 (recommended);

Agree/Disagree/Discuss

and

- i **Agree** that this approach is conditional on the basis that New Zealand-based air crew are subject to the requirement that they self-isolate.

Agree/Disagree/Discuss

Or

- j **Instruct** MBIE to consider alternative long term approaches, such as whether MBIE should enter the contractual arrangement on a long term basis.

Agree/Disagree/Discuss



Kara Isaac  
**GM, MIQ Policy**  
MBIE

21 / 4 / 21



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

30 / 4 / 2021

Hon Grant Robertson  
**Minister of Finance**

..... / ..... / .....

Rt Hon Jacinda Ardern  
**Prime Minister**

..... / ..... / .....

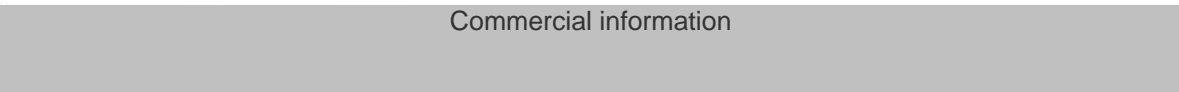
## Background

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1. 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 for at least 48 hours after they return, and until they have returned a negative COVID-19 test result.
2. 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. This reflects that air crew have a different risk profile given the controls and surveillance wrapped around their travel. 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 Grand Windsor.
3. Since 4 February 2021, Air New Zealand has been contracting with the Grand Windsor hotel on a monthly basis (and previously the Heartland and Ramada Hotels) in Auckland for this purpose. The Ministry of Business, Innovation and Employment (MBIE) has been meeting the accommodation, transport and food costs, per an earlier agreement between MOH and Air New Zealand effective from 25 August 2020.
4. On 3 February 2021, you agreed that MBIE continue to fund the arrangement until 14 March 2021. We advised the Minister of COVID-19 Response, through the 25 March 2021 Managed Isolation and Quarantine weekly report that we extended this funding arrangement until 30 April 2021.
5. On both occasions, we had been waiting on advice from the MOH as to the appropriateness of the use of self-isolation hotels for New Zealand-based aircrew travelling on higher risk routes before proposing any longer-term funding arrangements. We understand that advice is expected to be provided to the Minister of COVID-19 Response in May 2021.
6. 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].
7. This briefing provides short term options for funding for the self-isolation of New Zealand-based aircrew (until 30 June 2021) and long term options (from 1 July 2021).

## Funding of Air New Zealand arrangements with Grand Windsor

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8. The current arrangement between Air New Zealand and the Grand Windsor provides that Air New Zealand has exclusive occupancy of the hotel. The payment of invoices is based on the total number of rooms at Grand Windsor (79 rooms), rather than the number of rooms that are occupied.
9. The average number of rooms occupied at any given time is 43 rooms (or 55 per cent). This leaves 36 rooms empty that MBIE is continuing to pay for. The highest capacity Air New Zealand has had was 48 rooms on 13 March 2021.
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12. Funding the self-isolation hotel needs to be addressed before the end of April 2021. There are two outstanding matters underway which will impact on New Zealand-based aircrew, and decisions will not have been made on these by Ministers by the end of May 2021. These are the review that MOH is currently undertaking on higher risk routes (HRRs) for New Zealand-based aircrew, and changes to the Air Border Order and Isolation and Quarantine Order (the ABOs).
13. If additional HRRs were established and the requirements were extended to all international ports that Air New Zealand is currently serving (except those in Australia and the Pacific), then it is expected that additional aircrew would need to self-isolate per week.
14. We have therefore outlined two short term options to 30 June 2021 and a long term approach after then, for your consideration.

### **Short Term Options from 1 May 2021 to 30 June 2021**

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15. We have identified the following options for addressing funding in the short term.

***Option 1: MBIE continues to fund the existing arrangement between Air New Zealand and the Grand Windsor until 30 June 2021 (recommended)***

16. This option allows for some business certainty for Air New Zealand and provides committed stability towards the wellbeing of Air New Zealand crew by staying in one place for a known period of time. The Ministry of Transport (Transport) advises that aircrew can spend up to 15 or more days per month in isolation, given the requirements at overseas ports and in New Zealand. The personal toll, both in terms health and overall wellbeing, is considerable, and a key consideration.
17. It also ensures certainty about funding of the self-isolation of Air New Zealand aircrew, while Ministers' consider proposals relating to HRRs and the Air Border Order.
18. MBIE has funding available within the existing MIQ appropriation to fund the arrangement until 30 June 2021.

***Option 2: MBIE continues to fund the arrangement until 30 June 2021, and enters the arrangement as a party up until then***

19. As noted above, MBIE currently pays the invoices received as a result of the arrangement between Air New Zealand and Grand Windsor, yet it is not a party to the contract. This means that we do not have access to, or influence over, the terms of the arrangement (including the room rates, Infection Protection and Control requirements, and the size of the hotel).



20. This option would involve MBIE attempting to enter the arrangement by becoming a party to the contract until 30 June 2021. It could mean removing Air New Zealand from the contract, or MBIE being added as a third party to the contract. It is likely that if we were able to enter the arrangement it would be at the goodwill of Air New Zealand.
21. Given that MBIE does not have a role in respect of the management of self-isolation hotels, any funding arrangement that MBIE is directly party to would not alone result in MBIE influencing any delivery to services, however this option would allow us to sight the agreement for which we are being invoiced.
22. If you agree to this option, MBIE will start the process to enter the contractual arrangement as a party immediately, with the intention for the new arrangement to start on 1 May 2021. However, we recognise that this would involve significant engagement with both parties – particularly, if Air New Zealand is removed from a contract that relates to its staff.
23. Given the complexities associated with entering the contractual arrangement, we therefore do not recommend this option.

***Option 3: MBIE no longer funds the arrangement with Air New Zealand and the Grand Windsor from 1 May 2021.***

24. This option means that Air New Zealand would be responsible for the funding of the arrangement from 1 May 2021. Although this is our preferred long term approach (see below), we do not recommend this option for practical reasons. This would mean ceasing all MBIE funding in the next few days. Thereby, providing Air New Zealand with insufficient opportunity to prepare and budget for the next two months.
25. It is expected that Ministers will have made decisions on the HRR and the ABOs by the end of May/early June 2021. These decisions could have an impact on the arrangements for New Zealand-based aircrew and continuing the existing arrangement until 30 June 2021 ensures certainty about one aspect associated with the self-isolation of New Zealand-based aircrew (the funding) for a sufficient period of time (two months). We therefore do not recommend this option.

## **Long Term approach to funding from 1 July 2021**

26. MBIE recommends that after 1 July 2021, Air New Zealand is responsible for funding its self-isolation hotel arrangement. We recommend that this approach is conditional on the basis that New Zealand-based aircrew continue to be subject to the requirement that they self-isolate.
27. If requirements for New Zealand-based air crew change so that they are subject to managed isolation requirements (i.e. as required for overseas based crew), then New Zealand-based aircrew will be required to enter Managed Isolation Facilities (funded by MBIE MIQ) and the arrangement between Air New Zealand and its self-isolation hotel would end.
28. If you agree to this option, MBIE would no longer continue to have responsibility for funding this arrangement after 30 June 2021.

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33. We considered other alternatives, such as whether MBIE should enter the contractual arrangements on a long term basis. Given that it is not a MIF, we do not consider there are reasons for MBIE to be a party to an arrangement relating to self-isolation.

### **Recommended way forward**

34. If you agree that MBIE continues to fund the existing arrangements for the self-isolation hotel until 30 June 2021 (short term option 1), this will be met through Vote Building and Construction, Isolation and Quarantine Management MCA.

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36. Once MOH has completed its reviews and if the public health position changes (e.g. that New Zealand-based aircrew are subject to managed isolation requirements), then funding arrangements will need to be reassessed.