

Covid 19 Omicron: MIQ hotel contracts cost nearly \$800m over 18 months, data reveals

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(Todd, 2022)

Data shows MBIE spent nearly \$800 million in 18 months on lease agreements. Photo / Michael Craig

RNZ

By Katie Todd

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Hotels earned an average of \$1.3 million a month from being MIQ facilities.

Data released to RNZ shows the Ministry of Business, Innovation and Employment (MBIE) spent nearly \$800 million in 18 months on lease agreements.

Thirty-three hotels granted MBIE exclusive use of all their rooms, and agreed to provide laundry and catering for returnees, including three meals a day.

According to the data, released under the Official Information Act, the amount MBIE paid each hotel varied significantly depending on the hotel, location, and its occupancy.

One hotel pocketed a \$60,000 paycheck for the month of November 2021, while another received \$5.35m for the month of March 2021.

All up, MBIE spent \$529.8m on Auckland hotels, \$136.11m on Christchurch hotels and \$115.3m on Hamilton, Rotorua and Wellington hotels, after taking over the hotel contracts from the Ministry of Health in October 2020.

University of Otago law professor Andrew Geddis said MIQ was an essential part of the elimination strategy.

Simply letting Covid-19 into the country could have crashed the economy and cost more in the long run, he said.

However, he noted the Government would have had limited bargaining power when it started the contracts.

"When the Government came calling wanting to set up MIQ, they would have known that the MIQ was actually a price taker," he said.

"They would have taken what the hotels demanded. So you can expect that the hotels probably did very well out of this, just because the Government was so desperate to set the system up."

The hotels the Government selected needed to be near medical facilities, and that resulted in almost all of them being part of large multinational hotel chains, Geddis said.

That meant MIQ "did represent a large transfer of wealth from New Zealand to overseas tourism industries", he said.

Hotel Council Aotearoa chief executive James Doolan argued that was not necessarily the case.

Many foreign-branded hotels were actually New Zealand-owned, run under franchise arrangements, so not all taxpayer dollars were going offshore, he said.

Becoming MIQ facilities allowed hotels to retain staff and keeping ticking over at a time when the alternative was dire, Doolan said.

"The hotels that were part of the MIQ system were able to carry on operating with revenue levels that were similar to what existed before Covid. But all other hotels suffered massive losses of revenue as a result of losing international travellers into New Zealand."

Act leader David Seymour believed the Government had plenty of opportunities to trim down what it spent.

That was especially the case in the months since November last year, when Ministry of Health officials found the risk posed by international arrivals transmitting Covid-19 was no longer higher than the domestic transmission risk, he said.

"Ashley Bloomfield had said that MIQ was no longer necessary in light of that. Yet the taxpayer stumped up an additional \$220 million for MIQ rooms.

"I think that is an extraordinary response and shows we have not been quick enough to balance our Covid response with other objectives."

The data comes one year and nine months after RNZ first requested to see the contracts.

MBIE initially refused the initial request on the basis of commercial sensitivity - and still refused to identify how much it paid individual hotels.

MIQ deputy secretary Andrew Milne explained that decision was made after "extensive consultation" with the hotels.

"They highlighted that MIQ has been their only business for the last two years. This means the only income they have had, and the only monthly invoices they have produced during that time are from MIQ. Consequently, from the hotels' perspective this would be revealing hugely commercially sensitive information," he said.

"The hotels' position is that disclosure of the amounts they were paid each month would effectively be telling their competitors, potential buyers, the stock market, and potential investors otherwise, what these hotels have earned in the last 24 months."

At the end of the month the final three MIQ facilities will close.

However, MBIE said it was continuing to look at long-term options for a National Quarantine Capability to respond to any future public health threats at the border.

"MBIE is also developing a Readiness Plan to bridge the time between the closure of the current MIQ network and the availability of future interventions proposed by the NQC," Milne said.