

Reference: 20200283



10 September 2020

s9(2)(a)

Thank you for your Official Information Act request, received on 13 August 2020. You requested the following:

- *The cost benefit analysis relating to the Covid-19 Level four lockdown in March 2020.*
- *Any advice/briefings provided to government about moving to Level Four in March.*
- *Any advice provided/briefs to the government on the Covid-19 alert levels.*
- *Any advice/briefs/cost benefit analysis being provided to the Government re: Alert Level changes in August 2020.*

The Treasury confirmed with you that your request is for advice that the Treasury has provided to Ministers relating to the topics listed above.

Information being released

The Treasury has accepted your OIA request prior to delivering the requested documents, under section 15(1)(b) of the Official Information Act. I anticipate the production of the following documents will be completed by 11 September 2020 at which point Treasury will send this information to you.

Item	Date	Document Description	Decision
1.	31 July 2020	Treasury Report: Briefing for Social Wellbeing Committee Wednesday 5 August 2020	Release in part
2.	10 August 2020	Email: Alternative recommendations for MoF at Cabinet - Alert Levels and Resurgence Paper	Release in full
3.	10 August 2020	Attachment: alternative recommendations for the MoF to table at Cabinet	Release in full
4.	10 August 2020	PreCab 10 August 2020 - Draft	Release in part
5.	13 August 2020	Treasury Report: COVID-19 Alert level settings and economic activity	Release in part

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<https://treasury.govt.nz>

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials
- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,
- names and contact details of officials, under section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment,
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury’s website.

Please also note that some information has been redacted because it is not covered by the scope of your request. This is because the documents include matters outside your specific request.

Information publicly available

The following information is covered by parts 1 and 2 of your request is available on the Treasury website:

Item	Document Description	Website Address
6.	The costs and benefits of different strategies to handle the spread of COVID-19	https://treasury.govt.nz/publications

Some of the information covered by part 3 of your request will be included in the Pre-Election Economic and Fiscal Update (PREFU) which is scheduled to be published on 16 September 2020 on the Treasury website.

Item	Document Description	Website Address
7.	Pre-Election Economic and Fiscal Update (PREFU)	https://treasury.govt.nz/publications

Accordingly, I have refused these parts of your request for the documents listed above under section 18(d) of the Official Information Act:

- the information requested is or will soon be publicly available.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Geraldine Treacher
Manager, COVID Strategy

20200283

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TE TAI ŌHANGA
THE TREASURY
Treasury Report: Briefing for Social Wellbeing Committee
Wednesday 5 August 2020

Date:	31 July 2020	Report No:	T2020/2670
		File Number:	MS-5-3-SWC

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Read prior to Social Wellbeing Committee meeting	9:30 a.m., Wednesday 5 August 2020
Hon David Parker Associate Minister of Finance		
Hon Shane Jones Associate Minister of Finance		
Hon James Shaw Associate Minister of Finance		

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Ahmer Ranjha	Graduate Analyst, Education and Population Agencies	s9(2)(k)	N/A (mob) ✓
Nicky Lynch	Manager, Education and Population Agencies	s9(2)(g)(ii)	

Minister's Office actions (if required)
Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

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**Treasury Report: Briefing for Social Wellbeing Committee
Wednesday 5 August 2020**

Executive Summary

The Treasury is aware of fifteen items that may be on the Social Wellbeing Committee agenda for Wednesday 5 August 2020. The table below provides Treasury comment and recommendations on key items, and identifies any relevant fiscal impacts.

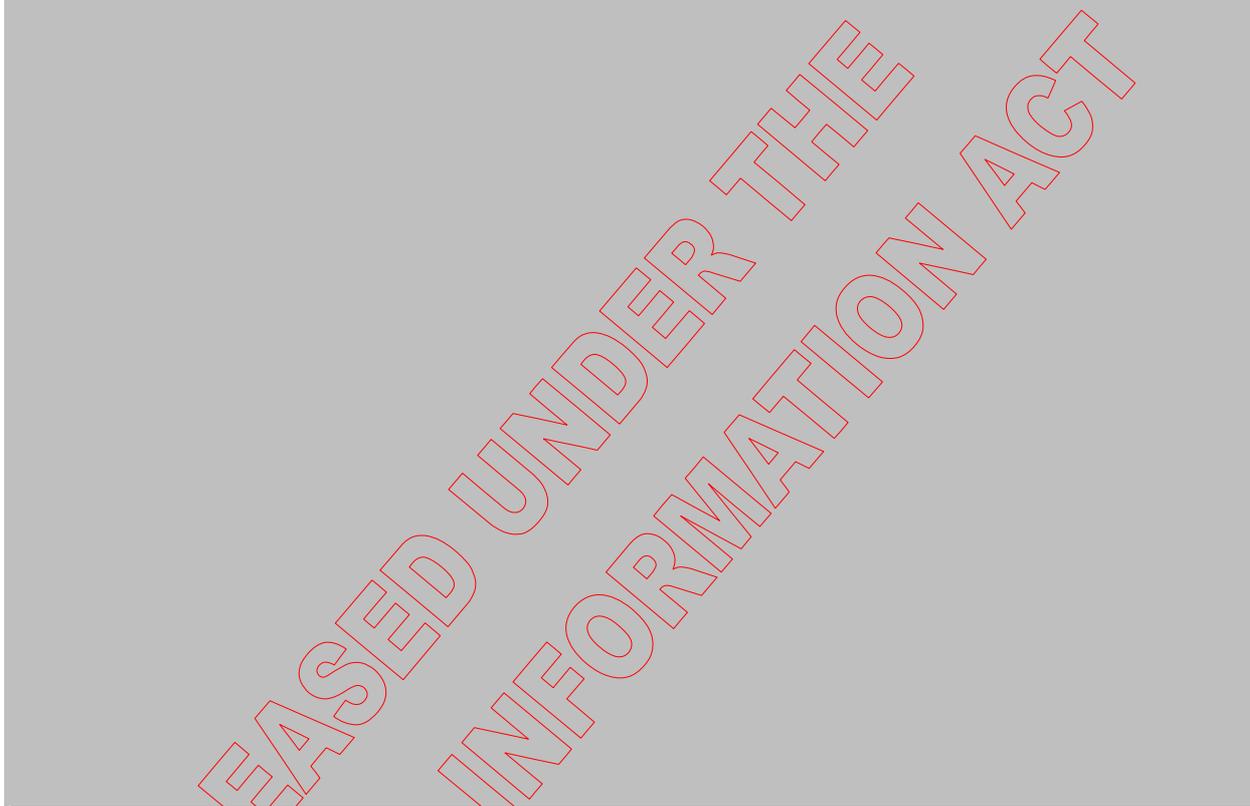
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Changes to COVID-19 Alert Level settings and rapid response

Rt Hon Jacinda Ardern, Prime Minister

Treasury contact: Ben Temple s9(2)(g)(ii)

Sign out contact: Melody Guy s9(2)(g)(ii)

Description: This paper proposes to: authorise the Prime Minister, the Minister of Health and the Minister of Justice to take decisions responding to a possible outbreak; increase the risk assessment triggers for alert level decisions; and tweak the essential services definition to enable slightly more economic activity.

Comments	Fiscal Implications	Treasury Recommendation
<p>We saw a draft version of this paper on Friday afternoon.</p> <p>We have concerns about the direction of this paper. In our view the potential economic and fiscal implications have not been given enough attention in the decision-making and governance framework.</p> <p>While the Alert Level framework and essential services rules are a step in the right direction, we consider</p>	<p>While there are no direct fiscal impacts resulting from the paper, it is not clear how a targeted application of measures would be implemented and what the impact would be for businesses and the Crown (in the case that further fiscal support is required).</p> <p>Significant economic and indirect fiscal impacts are likely to arise from the potential re-</p>	<p>We recommend you are included in the Ministerial group making decisions on a response. Decisions on a response to a possible outbreak could have consequences of tens of billions of dollars that could intensify as time goes on. The various options for responding to an outbreak have very different economic and fiscal implications.</p>

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<p>greater levels of safe economic activity could be possible in AL4, in light of growing evidence about transmission risks.</p> <p>This paper misses an opportunity to provide clarity about the use of masks at higher alert levels. The appropriate use of masks (along with other measures) could reduce the probability that more stringent measures are required. We understand masks will be discussed separately at SWC.</p> <p>There are also opportunities to provide more clarity to businesses about how they can manage risks and who may be able to operate under a worst-case scenario. An accreditation scheme may, for example, provide a more enduring system for managing higher alert levels.</p> <p>Ministers should therefore keep this work under review.</p>	<p>imposition of alert levels. Compared with AL1 (based on pre-COVID GDP levels):</p> <ul style="list-style-type: none"> • one week at AL2 reduces activity by approx. \$0.25 billion • one week at AL3 reduces activity by approx. \$1 billion, and • one week at AL4 reduces activity by almost \$2 billion. <p>The broader economic impacts of an unpredictable or uncertain treatment of business closures would damage confidence.</p>	<p>We recommend a more comprehensive review of the alert levels framework. This review should include the role of surveillance technologies to target risks, and the role of masks in preventing spreading.</p> <p>We recommend public consultation on the Alert Level framework. Consultation would inform future policy settings and better prepare the public, particularly about:</p> <ul style="list-style-type: none"> • how the virus spreads • the risks posed by different activities • mitigants that would enable safe economic activity, and • how the exceptions and clarifications for essential work will be administered (rec 14).
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IN-CONFIDENCE**Recommended Action**

We recommend that you **read** this report prior to the Social Wellbeing Committee meeting at 9:30 a.m. on Wednesday 5 August 2020.

Nicky Lynch
Manager Education and Population Agencies

Hon Grant Robertson
Minister of Finance

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Page 11 of this document has been deleted as it is not relevant to this request.

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From: Ben Temple [TSY]
Sent: Monday, 10 August 2020 11:04 AM
To: ^Parliament: Natalie Labuschagne <Natalie.Labuschagne@parliament.govt.nz>
Cc: Geraldine Treacher [TSY] <Geraldine.Treacher@treasury.govt.nz>; Bryan Chapple [TSY] <Bryan.Chapple@treasury.govt.nz>; Melody&Mark <Melody&Mark@treasury.govt.nz>; Kosal Kong [TSY] <Kosal.Kong@treasury.govt.nz>
Subject: Alternative recs for MoF at Cabinet - Alert Levels and Resurgence Paper

[IN-CONFIDENCE]

Hi Natalie,

Attached is a clean version of the alternative recs for the MoF to table at Cabinet today, as discussed at Pre-cab.

In case useful, here is some context/talking points:

- Treasury's advice to delegated Ministers in the case of a resurgence would include:
 - The factors for informing decisions regarding national or local Alert Level changes, namely: evidence of the effects of any proposed measures on the economy and society more broadly; and evidence of the impacts of the measures (referred to in rec 11b, c, and e).
 - Any changes to the economic policy response that may be needed to support the public health response, such as aligning eligibility with different alert levels and with any regional application of controls.
- Changes to the economic support policies to better encourage an effective public health response could include:
 - Adjustments to the leave support scheme (LSS) to support self-isolation requirements and minimise the risk of the virus spreading by relaxing the criteria for eligibility.
 - Restarting some form of the wage subsidy scheme. The subsidy was originally paid out in a lump sum, but could alternatively be paid fortnightly to align payment duration with relevant AL or other business restrictions in place.
 - s9(2)(f)(iv)
 -
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Below my signature is an updated Pre-cab briefing table in case useful—containing our fuller advice.

Give me a call if anything else needed.

Ben

Ben Temple | Principal Advisor | Te Tai Ōhanga – The Treasury

s9(2)(k) | s9(2)(g)(ii) | Email: ben.temple@treasury.govt.nz

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Implementing a rapid response to COVID-19 cases in the community and refinements of COVID-19 Alert Level settings		
Rt Hon Jacinda Ardern, Prime Minister Treasury contact: Ben Temple, Principal Advisor, COVID Strategy s9(2)(g)(ii) Sign out contact: Geraldine Treacher, Manager, COVID Strategy s9(2)(g)(ii)		
Description: This paper proposes to: authorise a group of Ministers to take decisions responding to a possible outbreak; increase the risk assessment triggers for alert level decisions; and tweak the essential services definition to enable slightly more economic activity.		
Comments	Fiscal Implications	Treasury Recommendation
<p>The paper proposes that the group of Ministers making decisions in the event of a resurgence includes: you (as the MoF); the PM; the DPM; the Attorney General; the Minister of Health; and the Minister of Justice. However, the planning documents (in appendices) do not include a role for the Treasury in providing advice to the group of Ministers when considering decisions on a response.</p> <p>In our view the potential economic and fiscal implications have not been given enough attention in the draft decision-making and governance framework. The effectiveness of a response will rely on business and worker compliance with regional orders, which in turn is likely to depend on certainty about additional fiscal support. To this end, we are preparing advice on the wage subsidy and the leave scheme, and when (relative to the stages set out in the Cabinet paper) economic response policies might need to be considered for re-starting.</p> <p>While the Alert Level framework and essential services rules are a step in the right direction, we consider greater levels of safe economic activity could be possible in AL4, in light of growing evidence about transmission risks.</p>	<p>While there are no direct fiscal impacts resulting from the paper, it is not clear how a targeted application of measures would be implemented and what the impact would be for businesses and the Crown (in the case that further fiscal support is required).</p> <p>Significant economic and indirect fiscal impacts are likely to arise from the potential re-imposition of alert levels. Decisions on a response to a possible outbreak could have consequences of tens of billions of dollars that could intensify as time goes on. The various options for responding to an outbreak would have very different economic and fiscal implications.</p> <p>The broader economic impacts of an unpredictable or uncertain treatment of business closures would damage confidence.</p>	<p>To support timely consideration of the economic and compliance factors informing decisions, we recommend:</p> <ul style="list-style-type: none"> • The Treasury Secretary is included in the leadership team (rec 6) • Treasury is included in COVID-19 National Response Group and • Clear messages about the economic response, particularly the leave support scheme and wage subsidy scheme are included in any public communications. <p>We also recommend a more comprehensive review of the alert levels framework. This review should include the role of surveillance technologies and specific spreading risks in different workplaces.</p> <p>As part of this review, consultation could usefully inform future policy settings and better prepare the public, particularly about:</p> <ul style="list-style-type: none"> • How the virus spreads • The risks posed by different activities

<p>There are also opportunities to provide more clarity to businesses about how they can manage risks and who may be able to operate under a worst-case scenario. An accreditation scheme may, for example, provide a more enduring system for managing higher alert levels.</p> <p>Ministers should therefore keep this work under review.</p>		<ul style="list-style-type: none">• Mitigants that would enable safe economic activity• How the exceptions and clarifications for essential work will be administered (rec 15).
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Insert before existing recommendation 3:

- **Note** that any controls, be they localised or national, will have direct economic impacts on individuals and businesses.
- **Note** there is a risk that that in future outbreaks individuals and businesses feel less able financially to comply with strict restrictions on their activity and a timely and appropriately aligned economic response will therefore be essential.

Additional text to recommendation 6, to include the Secretary to the Treasury to the National Response Leadership team.

- “**Note** that the plan includes a National Response Leadership team made up of the:
 - a. Chief Executive of the Department of Prime Minister and Cabinet (DPMC);
 - b. Director General of Health
 - c. Chief Executive, National Emergency Management Agency;
 - d. Deputy Chief Executive, COVID-19 All-of-Government Response Group, DPMC; and
 - e. Secretary to the Treasury;”

Insert alternative to recommendation 8:

- “**Approve** the attached rapid-response plan including the role of the National Response Leadership team attached as Appendix 1, subject to changes to reflect the role of the Treasury in providing advice and making changes to the economic response to support compliance with public health controls.”

RESTRICTED

PreCab 10 August 2020

DRAFT

- The Treasury will brief the Minister of Finance and Associate Ministers of Finance on Monday 10 August 2020, 9.00am – 9.45am.
- This briefing is based on the Treasury's understanding of the Cabinet agenda on Friday 7 August 2020. An updated PreCab briefing will be provided on Monday morning if required.

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Papers for Cabinet consideration

Changes to COVID-19 Alert Level Settings and Rapid Response

Rt Hon Jacinda Ardern, Prime Minister

Treasury contact: Ben Temple s9(2)(g)(ii)

Sign out contact: Geraldine Treacher s9(2)(g)(ii)

Description: This paper proposes to: authorise the Prime Minister, the Minister of Health and the Minister of Justice to take decisions responding to a possible outbreak; increase the risk assessment triggers for alert level decisions; and tweak the essential services definition to enable slightly more economic activity.

Comments	Fiscal implications	Treasury Recommendation
<p>We saw a draft version of this paper and understand subsequent changes have been made to include the MoF in the group of Ministers making decisions in the event of a resurgence (rec 3).</p> <p>Decisions on a response to a possible outbreak could have consequences of tens of billions of dollars that could intensify as time goes on. The various options for responding to an outbreak have very different economic and fiscal implications.</p> <p>In our view the potential economic and fiscal implications were not given enough attention in the draft decision-making and governance framework. The effectiveness of a response will rely on business and worker compliance with regional orders, which in turn is likely to depend on certainty about additional fiscal support. To this end, we are preparing advice on the use of the wage subsidy, the leave scheme and when, relative to the phases set out in the cabinet paper, economic response policies might need to be considered for re-starting.</p> <p>The draft version of the paper also did not include discussion or actions relating to the public use of masks at higher alert levels. We understand masking was discussed at SWC on Wednesday 5 August.</p>	<p>While there are no direct fiscal impacts resulting from the paper, it is not clear how a targeted application of measures would be implemented and what the impact would be for businesses and the Crown (in the case that further fiscal support is required).</p> <p>Significant economic and indirect fiscal impacts are likely to arise from the potential re-imposition of alert levels.</p> <p>The broader economic impacts of an unpredictable or uncertain treatment of business closures would damage confidence.</p>	<p>To support timely consideration of the economic and compliance factors informing decisions, we recommend:</p> <ul style="list-style-type: none"> • You are included in the Ministerial group making decisions on a response (rec 3) • The Treasury Secretary is included in the leadership team (rec 6) • Treasury is included in the businesses and workplaces elements of the response and messages about the economic response are included in any public communications. <p>We suggest you seek clarification that a revised policy on masks has been incorporated into the alert levels framework.</p> <p>We also recommend a more comprehensive review of the alert levels framework. This review should include the role of surveillance technologies</p>

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While the Alert Level framework and essential services rules are a step in the right direction, we consider greater levels of safe economic activity could be possible in AL4, in light of growing evidence about transmission risks.

There are also opportunities to provide more clarity to businesses about how they can manage risks and who may be able to operate under a worst-case scenario. An accreditation scheme may, for example, provide a more enduring system for managing higher alert levels.

Ministers should therefore keep this work under review.

and specific spreading risks in different workplaces.

As part of this review, consultation could usefully inform future policy settings and better prepare the public, particularly about:

- How the virus spreads
- The risks posed by different activities
- Mitigants that would enable safe economic activity
- How the exceptions and clarifications for essential work will be administered (rec 15).

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Pages 3 - 8 of this document have been deleted as they are not relevant to this request.

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: COVID-19 Alert level settings and economic activity

Date:	13 August 2020	Report No:	T2020/2860
		File Number:	SH-1-6-1-3-3-20

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	<p>Note that you will be receiving two papers for consultation tonight relating to changes to the COVID Order currently in force, and to the decision on whether to extend the temporary Alert Levels beyond 14 August</p> <p>Note that Treasury recommends that you support changes to the Order that allow greater travel across the Auckland border</p> <p>Note the economic costs associated with remaining at Alert Level 3 in Auckland</p> <p>Provide feedback on the longer-term options in this report relating to possible changes to Alert Levels</p>	13 August 2020

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Cam Vannisselroy	Senior Analyst	N/A (wk)	s9(2)(g)(ii)
Tom Hall	Manager	s9(2)(k)	✓

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

IN-CONFIDENCE**Treasury Report: COVID-19 Alert level settings and economic activity****Executive Summary**

You have requested advice on changes that could be made to New Zealand's Alert Level settings to support an increase in economic activity, with a particular focus on the manufacturing and construction sectors.

The government has already recently increased the thresholds before we will move up to Alert Levels 3 or 4 nationally, which should reduce the impact of our Alert Level settings on businesses to an extent. We have also developed a number of options that are potentially consistent with maintaining an overall elimination strategy for COVID-19.

Many of these options would have impacts more broadly than manufacturing or construction. This is because many of our Alert Level settings are generic, rather than specific to particular sectors, and because we recommend adopting an approach that is neutral to the type of economic activity taking place for a given level of health risk. In addition, firms within these sectors are varied, meaning it would be difficult to develop a one-size-fits-all bespoke solution for individual sectors. Nevertheless, many of the options presented below should have favourable impacts on manufacturing and construction.

- Short-term option: Extend the reasons people are allowed to cross the borders in and out of areas subject to higher Alert Levels.
- Medium-term option: Targeted guidance for economically-significant firms or project-locations
- Medium-term options relating to use of personal protective equipment:
 - Increase physical distancing flexibility in workplaces not accessible to the public, subject to use of PPE or other appropriate mitigating measures
 - Remove physical distancing requirements on public transport, and mandate masking
 - Allow retail and other in-person services at Alert Level 3, subject to mask-use
- Medium-term options relating to essential services at Alert Level 4:
 - Allow more services that respond to social needs and wellbeing
 - Allow outdoor work
 - Allow economically-significant businesses to operate
- Longer-term option: Allow certified self-regulation

We understand that you will be receiving two Cabinet paper tonight (13 August): one proposing changes to the Order under the COVID Act from tomorrow (14 August) onwards and one seeking decisions on extending Alert Levels. We have not viewed these papers at the time of writing. However, we think it is important that the papers balance maintaining the public health restrictions necessary to support an ongoing elimination strategy with the removal of any impediments to economic activity that are not necessary to achieve elimination. We also think they should provide for increased movement across the Auckland border, particular for workers.

It is important to note the economic cost of our current Alert Level settings. This is estimated at \$600 million per week for the Auckland region to remain at Alert Level 3, which would extend to \$1,500 million per week if the whole country was at Alert Level 3. The cost for the whole country to be at Alert Level 2 is \$700 million.

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Recommended Action

We recommend that you:

- a **Note** that you will be receiving two papers for consultation tonight (13 August), relating to changes to the COVID-19 Public Health Response (Alert Levels 3 and 2) Order 2020 (the Order) under the COVID-19 Public Health Response Act 2020 (the COVID Act) currently in force, and to the decision on whether to extend the temporary Alert Levels beyond 14 August

Noted

- b **Note** that Treasury recommends that you support changes to the Order that allow greater travel across the Auckland border

Noted

- c **Note** the economic costs associated with remaining at Alert Level 3 in Auckland, estimated at \$600 million per week

Noted

- d **Provide** feedback on which of the following longer-term options relating to possible changes to Alert Levels settings you are interested in pursuing, and engage with your colleagues to get these options placed on the All-of-Government work programme:

	Pursue (tick)	Don't pursue (tick)
Targeted guidance for economically-significant firms or project-locations		
Increase physical distancing flexibility in workplaces not accessible to the public, subject to use of PPE or other appropriate mitigating measures		
Remove physical distancing requirements on public transport at Alert Levels 2 and 3, and mandate masking		
Allow retail and other in-person services at Alert Level 3, subject to mask-use		
Allow more services that respond to social needs and wellbeing s9(2)(f)(iv) at Alert Level 4		
Allow outdoor work at Alert Level 4		
Allow economically-significant businesses to operate at Alert Level 4		
Allow certified self-regulation		

Tom Hall
Manager, Treasury

Hon Grant Robertson
Minister of Finance

IN-CONFIDENCE**Treasury Report: COVID-19 Alert level settings and economic activity**

Purpose of Report

1. On Wednesday 12 August 2020, you met with Treasury officials to discuss the response to the re-emergence of COVID-19 in Auckland, and potentially more broadly across New Zealand. At that meeting, you requested advice on changes that could be made to our Alert Level settings to enable more economic activity. You expressed a particular interest in changes that could be made to support the manufacturing and construction sectors.
2. We understand that you will be consulted on two Cabinet papers tonight (13 August), ahead of consideration by Cabinet tomorrow. These are:
 - a One paper relating to amendments to the Alert Level Order currently in place
 - b One paper relating to whether or not to extend the temporary Alert Levels.
3. This briefing provides preliminary advice on Alert Level settings issues in response to your request for advice, and ahead of Cabinet consideration of the above Cabinet papers. This briefing also provides some information relating to internal border settings, given the impact the current border around Auckland is having on people movement.
4. We note that this report has been prepared within a very short period of time and as such the analysis in it is preliminary only. We have not been able to formally consult with the Ministry of Health, All-of-Government officials, or other agencies on the options in this briefing, although we understand that several of the options presented in this briefing are consistent with options being considered by All-of-Government officials.

We have focused on options consistent with an elimination strategy

5. This briefing has been prepared on the assumption that the government's strategy in response to COVID-19 remains that of elimination. It has also been prepared under the context of Cabinet recently agreeing to raise the risk thresholds at which New Zealand would move up in Alert Levels – *i.e.* compared to New Zealand's previous risk thresholds, COVID-19 would need to be relatively more prevalent before we would move up to a given Alert Level. These align with the principles agreed to by Cabinet in July, that New Zealand will avoid returning to Alert Level 3 or 4 nationally if at all possible.
6. The increase in the risk thresholds is relevant because they reduce the extent to which there is scope to increase the permissiveness of the Alert Level settings, while still maintaining Alert Level settings that are consistent with promoting elimination of COVID-19. As such, while the options presented below have the potential to materially increase economic activity, we have not considered radical options that would be inconsistent with an elimination strategy.

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7. We assessed options for Alert Level changes in respect of the following criteria:
 - a The economic benefit associated with the proposal
 - b The health risk associated with the proposal (*i.e.* the risk of further transmission of COVID-19)
 - c The administrative feasibility (including enforceability) of the proposal
 - d The probable public acceptability of the proposal
8. The most desirable options are those that have the most impact on the amount of economic activity that can take place (or reduce the cost associated with that activity taking place), without having a material impact on the risk of transmission.
9. Options can also be divided into those that are targeted at particular sectors (such as manufacturing) and those that are more generic. We have largely focussed on the latter. This is because:
 - a The Alert Level settings are largely – with the exception of some bespoke rules for sectors such as retail and hospitality – generic. This means that the most of the obvious options for changes to Alert Level settings are also relatively generic, although we discuss some exceptions below.
 - b Related to the point made at Paragraph 5 above, our general viewpoint is that we should focus on identifying a given level of public health risk that is acceptable, and then allowing all economic activity that can be carried out within that level of risk. This still potentially allows an increase in risk relative to the status quo, as it is not clear that all of the restrictions currently in existence are necessary to achieve outcomes that are consistent with an elimination strategy.
 - c Both sectors have many firms and are heterogeneous, with varying scale of employment, output, productivity, supply-chain significance and health risks. The number of firms in these sectors makes enforcement (other than risky self-enforcement) of sector-specific regulations impractical, at least in the short run impractical.
10. The other dimension of relevance is the time-frame under which any options can be implemented. Both short-term and slightly longer-term options are presented below.

Short-term considerations

Extending the reasons people are allowed to cross the borders in and out of Auckland

11. The most immediate option to be considered is extensions to the reasons people are allowed to cross the border in and out of Auckland.
12. Schedule 3 of the Order under the COVID Act sets out who, and under which conditions, people are able to enter and exit Auckland while it is under Alert Level 3. The current list of people is relatively restricted – mainly limited to people returning home, freight services, and people involved in providing core government services. Currently, restrictions on cross-border travel are more restrictive than Alert Level 3 settings itself.
13. Discussions with other agencies have highlighted significant concerns with the impacts of these travel restrictions. These revolve around the need for pragmatic rules to deal

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with people moving between regions at different Alert Levels. Examples of concerns raised by other agencies include:

- a Allowing workers who live on one side of the border to move across it for work – especially in higher value or critical roles (e.g. workers on critical infrastructure such as the City Rail Link or working for economically significant businesses). We understand from Auckland Council that up to 7,000 workers live on one side of the Auckland border and work on the other, although this figure has not been independently verified and doesn't take into account workers who can work from home. Nevertheless, this is the most critical issue. Options to address this include allowing all movement for work, or more targeted exemptions.
 - b Allowing travel through the region due to Managed Isolation and Quarantine or returning to a permanent home.
 - c Workable exemptions for small numbers of people on wellbeing grounds (e.g. for medical purposes).
 - d Allowing transport and other regulators or service providers such as vets to move between regions when necessary to deal with specific issues.
14. Most critically, there is no health significance in the current definition of Auckland's borders. The boundary set is arbitrary from a health point of view, based on legal/geographic boundary and does not represent health risk per se. Given this, it is not clear that enabling flows of workers to their place of work across borders has any material impact on health risk. Treasury's view is that the Order should permit workers to travel to their place of work if that business is lawfully allowed to open and the worker cannot work from home.
15. We understand that the All of Government (AoG) COVID-19 Response Group is leading work on whether these settings are fit-for-purpose in terms of balancing the public health risk and economic impact of restricted travel, and will provide advice to Ministers shortly to support any further decisions needed. Our sense is that there is an increasing recognition of the sorts of issues outlined above and a growing openness from AoG officials to addressing them. Given that you have raised concerns about the ability of the manufacturing and construction sectors to operate, we have also raised the impact the current tight border restrictions on labour supply for these firms with AoG officials.
16. The following questions may help to support your consideration of restrictions on cross-border travel for Auckland in the situation of ongoing different regional Alert Level settings. In particular, you may wish to consider:
- a **What forms of labour are allowed to move across the border for work purposes?** For example we need to consider what people should move for essential/critical services. While this may pose definition issues, the examples from Australian states set out in Appendix 1 could be a useful starting point.
 - b **What other forms of movement are allowed?** Beyond the exemptions already allowed in the Order such as for emergency and law enforcement services and medical reasons, this should be for very specific and narrow reasons, if any further exemptions are warranted.

The cost of remaining at Alert Level 3 in Auckland

17. Given the decision being taken by Cabinet tomorrow, it is important to note the economic cost of our current Alert Level settings. This is estimated at \$600 million per week for the Auckland region to remain at Alert Level 3, which would extend to \$1,500 million per week if the whole country was at Alert Level 3. The cost for the whole country to be at Alert Level 2 is \$700 million.

IN-CONFIDENCE**Medium-term option: Targeted guidance for economically-significant firms or project-locations**

18. Under any regulatory regime, firms will need to satisfy the authorities that they are operating in a safe manner. Firms will have guidance from the Government, in particular the Ministry of Health and WorkSafe, on what practices to follow. In the case of a limited number of economically-significant businesses or projects (e.g., Auckland City Rail Link), it may be worth exploring whether the Ministry of Health, WorkSafe, and/or other agencies can provide targeted, tailored guidance that would enable the firms to remain open with an acceptably-low level of health risk.

Medium-term options relating to personal protective equipment

19. Below, we present three options for enabling greater levels of economic activity that all involve removing or reducing particular restrictions on activity, in conjunction with requiring the use of personal protective equipment (PPE) or other mitigations. We think all of these options have potential merit. However, prior to recommending them, it would be prudent to develop a greater understanding of the equivalence of different interventions aimed at slowing the spread of COVID-19 – for example, the effectiveness of masks relative to different degrees of physical distancing, increased testing, or the use of Perspex dividers between workplaces.
20. Having this information would allow you to feel more confident that these options could be implemented without materially increasing the public health risk of transmission. It may be that this information is already held by the Ministry of Health or available in scientific literature. However, we have not been able to obtain this information in the time we have had to prepare this briefing. We recommend that you instruct officials to look at these options if you wish for them to be pursued.

Option: Increase physical distancing flexibility in workplaces not accessible to the public

21. The current (and previous) Order effectively provides that a given level of physical distancing must be maintained in workplaces (this differs by workplace and Alert Level), regardless of what other mitigating measures are put in place. For example, at Alert Level 3, manufacturing businesses must provide for physical distancing of 1 metre between workers, so far as is reasonably practicable. This imposes a range of potential costs and delays, including:
- lower productivity on site
 - difficulties in completing some trade work due to physical distancing limitations
 - additional supervision/plant & equipment hire for longer period of project due to delays
 - workforce transport restrictions, as workers will often otherwise travel together by van
 - possible overtime/shift related changes due to operating requirements.
22. This proposal would involve providing that workplaces that are generally closed to the public (such as manufacturers) do not have to maintain physical distancing if other appropriate mitigating measures are put in place. What is 'appropriate' could be determined through Ministry of Health or WorkSafe guidance, but might include mask/other PPE use, or Perspex screens between workers.

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23. Our (very preliminary) estimate is that this could increase economic activity by 1 percentage point at a given Alert Level, relative to our current settings. This is on the assumption that it increases productivity at manufacturing firms by 10 per cent. As noted above, we need to better understand the equivalence of different public health interventions before recommending this option, but it would go some way to reducing adverse impact on productivity, cost and delays.
24. We consider that this option is likely to be feasible to implement. However, compared to the status quo, it would require a greater degree of judgement by enforcement bodies (such as WorkSafe) as to what as an appropriate mitigating measure. As with the status quo, there would be an element of trust that workplaces were complying with the provisions as regulators would only be able to actively police a relatively small number of workplaces.
25. Overall, we recommend exploring this option.

Option: Remove physical distancing requirements on public transport, and mandate masking

26. Currently, at Alert Levels 2-4, physical distancing is required on public transport (including operators such as airlines). This significantly reduces the capacity on these services by up to 80 per cent.
27. This option would involve removing physical distancing on these services at Alert Levels 2 and 3, provided that face coverings were worn while travelling.
28. It is difficult to assess the economic impact this option would have, as it is difficult to divorce the economic impacts that capacity constraints on transport have from the effects of workers being required to stay home by government or their employer. Nevertheless, there are potential economic benefits in terms of providing more capacity for people to get to work (particularly at Alert Level 2), and making operation much more viable for commercial operators such as Air New Zealand.
29. Again, it is difficult to estimate the health impacts of this proposal without first better understanding the equivalence of different public health interventions. However, in Japan, where mask use is prevalent, no COVID-19 clusters were traced to its notoriously crowded commuter trains. There is also emerging evidence that the health risk of removing physical distancing restrictions may be lower on planes than other forms of transport.
30. We consider that this option is likely to be feasible to implement, but may be harder to enforce – particularly on trains (and buses to a lesser extent) where there is no ability to deny boarding to people not wearing a mask. During our previous time at Alert Levels 2 to 4, compliance with the physical distancing approved configurations on transport services was mainly achieved through social pressure from other passengers, with occasional enforcement by Police or other enforcement officers. There may be similar (or potentially greater) enforcement risks/challenges if mandatory face coverings replaced physical distancing requirements.
31. We recommend exploring this option.

Option: Allow retail and other in-person services at Alert Level 3, subject to mask-use

32. Currently, at Alert Level 3, most face-to-face services (such as non-essential retail or hairdressing) are not able to operate, with these limited to delivery, click-and-collect, or online provision.
33. This proposal would allow these services to operate at Alert Level 3, subject to physical distancing where practical and the use of face coverings.

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34. Our preliminary estimates are that this could increase economic activity by around 5 percentage points at Alert Level 3 – i.e. down from normal activity levels by around 20 per cent, rather than 25 per cent. As with the other options, we need more information on the health impact, however our initial assessment is that this presents more health risk than the above two options. This is because while services like retail are unlikely to involve much extended close contact, enabling this activity does significantly increase the reasons people have to leave home and the people they will cross paths with (even if only ‘casually’).
35. We consider that this option is probably feasible to implement, but may be difficult to enforce – both in terms of it being difficult for businesses to ensure customers are complying, and regulators to ensure that businesses are attempting to enforce compliance.
36. Overall, we recommend pursuing this option only if your risk appetite is relatively high.

Medium-term options relating to essential services at Alert Level 4

37. When New Zealand was at Alert Level 4 previously, only essential services were allowed to operate. These were defined as ‘businesses that are essential to the provision of the necessities of life and those businesses that support them’. Interpretation of this principle down to the level of individual businesses was undertaken by agencies, led by MBIE, under the direction of Ministers. Cabinet recently agreed to slightly extend the businesses that are able to operate at Alert Level 4, to include those where only a solitary worker (or single household bubble) is present on the business premises.
38. Nevertheless, there are a number of options for expanding the types of businesses that are able to operate at Alert Level 4, as set out below.

Option: Allow more services that respond to social needs and wellbeing

39. This option would focus on enabling more services that respond to social needs and wellbeing. ^{s9(2)(f)(iv)} These are services that arguably already fall within the definition of essential, so do not require any alternation to the overall principles governing Alert Level 4.
40. The economic impact of these changes would be low. ^{s9(2)(g)(i)} This option could potentially reduce transmission risk, if it reduces the level of crowding at supermarkets. It would also be relatively easy to implement.
41. Overall we recommend pursuing this option, even if your risk tolerance is low.

Option: Allow outdoor work at Alert Level 4

42. This option would involve allowing outdoor work at Alert Level 4, including for services that were previously deemed to be non-essential, provided that physical distancing is maintained and there is no interaction with the public. This is on the basis that there is some evidence that the risk of transmission is relatively low in outdoor settings.
43. The economic impact of this is potentially material. ^{s9(2)(f)(iv)} Our preliminary estimate is that allowing outdoor work at Alert Level 4 would reduce the overall economic impact of Alert Level 4 by about 3.5 percentage points (i.e. from 40 to 36.5 per cent below normal activity levels). While this option does increase health risk, as noted above this increase is likely to be relatively low. We have heard from several businesses that re-started at Alert Level 3 with distancing and hygiene practices which

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are of the view that once ingrained, these operations can safely continue operating at Alert Level 4.

44. This option could be relatively easily implemented. However, there is not always a clear distinction between indoor and outdoor work; a definition of outdoor work may be problematic. This option also risks undermining the coherence of the 'essential' services framework at Alert Level 4, potentially reducing social acceptability of the proposal, and creating incentives for further lobbying and carve-outs.
45. Given this, and the fact that the risk assessment for shifting to Alert Level 4 has already been raised, we think this proposal is worth pursuing only if you have a moderate-high appetite for risk.

Option: Allow economically-significant businesses to operate at Alert Level 4

46. This option would involve allowing 'economically significant' businesses to operate at Alert Level 4, even if they do not meet the definition of essential. The definition of economically significant businesses could draw on the definition that has been developed as part of the economically significant businesses firm support policy, and have reference to factors such as the level of revenue, employment, spillovers/supply-chain links, or where shutting down a business carries a very high cost.
47. The economic impact of this policy would depend on the threshold for defining economically significant. There could also be an impact in terms of avoiding the need to provide Crown fiscal support to these businesses if they are instead permitted to operate.
48. However, this option may present real health risks, unless the threshold for economically significant is set relatively high, and the extension is associated with adequate management of health risks. As with the option above, it risks undermining the coherence of the essential services framework at Alert Level 4, creating incentives for further lobbying, as well as having negative impacts on competition if only large firms are able to trade. It would also create implementation costs for agencies required to undertake assessments as to whether a firm is sufficiently significant to be able to operate at Alert Level 4.
49. Given this, this option is only recommended if you have a high appetite for risk.

Longer-term option: Allow certified self-regulation

50. In the longer term, it would be worth exploring whether businesses can take responsibility for their employees being tested frequently and demonstrating that they will only allow virus-free employees on the premises, as a means to operate safely. This could reduce the need to require the business to use distancing, which is costly for some firms in terms of productivity, or to require the use of PPE or barrier screens, which are also costly and may otherwise interfere with normal activity within the workplace. An added benefit in terms of the elimination strategy would be that asymptomatic or very mild cases would have a greater chance of detection, and pre-symptomatic cases would be picked up earlier, allowing a more timely response from the general testing, contact tracing and isolation system.
51. An extension of this idea could be firms agreeing to take responsibility for strong record keeping, for example by continuously maintaining a register of employees' close contacts. We have not explored the feasibility of this proposal, which is affected by the availability and reliability of tests, the incentives on firms to conduct the tests rigorously and honestly, external enforceability and other practical issues, as well as the payoff in

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terms of the benefits to the firms (e.g., an exemption from requirements under Alert Levels) and in terms of greater timeliness in detecting and containing positive cases.

Next Steps

52. As noted above, we understand that you will be receiving two draft Cabinet papers tonight (13 August); one proposing changes to the Order under the COVID Act from tomorrow (14 August) onwards and one seeking decisions on extending Alert Levels. We have not viewed these papers and so cannot comment on their recommendations. However, as discussed earlier in this report, we think it is important that the paper balances maintaining the public health restrictions necessary to support an ongoing elimination strategy with the removal of any impediments to economic activity that are not necessary to achieve elimination.
53. To minimise unintended consequences and increase the likelihood of support for any regional border, we also recommend you look for whether the issues discussed above relating to movement across the Auckland border are discussed in the Cabinet paper. In particular, the key trade-off is between:
- a a more porous border with greater economic activity and access to key services but associated health risks of more movement and enforcement/administrative issues at the border, or
 - b a harder border that might minimise health risks but inhibit economic activity and access to a greater extent than general Alert Level 3 settings allow for.
54. We recommend that you provide feedback on which of the longer-term options relating to possible changes to Alert Levels settings discussed in this paper you are interested in pursuing, and engage with your colleagues to get these options placed on the All-of-Government work programme.

IN-CONFIDENCE**Appendix 1: Comparison with internal border settings between Australian states**

Set out below are three examples of regulatory requirements and state border restrictions currently in place in Australia, as a comparison to the current settings in place in New Zealand.

Common traits for internal border restrictions

The following characterises appear to be consistent requirements across the three Australian examples:

- The need for permits or exemptions to enter the state
- Exceptions on the need to apply for permits for a small category of people such as emergency or law enforcement workers or people accessing necessary medical care.
- Eligibility criteria for permits/exemptions (with varying degrees of flexibility depending on the state, the purpose of travel and where the traveller is coming from)

If there is to be an ongoing difference of alert levels between regions in New Zealand, pursuing a permit/exemption regime could be an appropriate mechanism to identify certain categories of people to be allowed to across the region borders.

New South Wales¹

Border entry permits are needed to enter New South Wales if people have been in Victoria in the last 14 days, except:

- As an emergency or law enforcement services worker
- To access emergency medical, hospital, dental or veterinary care
- To avoid injury or escape a risk of harm

Eligibility criteria for permits:

- a border zone resident entering for work, education, medical care/supplies or to provide care to a vulnerable person/to receive care if you're a vulnerable person
- a border resident in a remote community (with remote communities clearly defined)
- a person transiting through NSW by air to travel outside of NSW by air (permits only have a 3-day usage window)
- a member of parliament or staff member
- a Victorian boarding school or university college student, staff member or parent/guardian accompanying a minor
- a NSW resident who is a student at a boarding school outside NSW
- a specialist school student, staff member, service provider or parent/guardian accompanying a minor

¹ <https://www.nsw.gov.au/covid-19/what-you-can-and-cant-do-under-rules/border-restrictions#who-can-enter-nsw>

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- a carer for a person entering NSW
- a person providing a critical service consisting of the commercial transportation of freight or persons
- for child access and care arrangements
- for essential medical or hospital services unavailable locally or not accessible remotely
- to attend court as a defendant, witness or a lawyer in a case, or to meet other legal obligations imposed by a court or an Act (such as bail or parole obligations)
- on compassionate grounds for the provision of "within days of death" support, or to attend a funeral or memorial service.
- a person residing and providing a critical service in the border region (i.e. towns near the state border), including:
 - Commonwealth defence and security services
 - maintenance and repair of critical infrastructure
 - medical, hospital, dental or veterinary care
 - COVID-19 environmental cleaning on a commercial basis that is not available locally
 - mining, energy, agriculture, construction or manufacturing (only frontline workers who are undertaking direct and essential operational activities to ensure major infrastructure and essential services are maintained and not interrupted).
- if you're a person residing and providing a critical service in a non-border region (i.e. not in the border region). The critical service must be:
 - highly specialised, and
 - not available locally in the same or substantially the same form, and
 - not able to be provided remotely
 - approved by the head of your organisation, or the person receiving the service

South Australia²:

South Australia has determined the following categories for travellers allowed to enter the state:

- people entering from unrestricted states (NT, QLD, TAS and WA)
- people entering from permissible states (ACT and NSW)
- essential travellers
- SA residents returning home from any other state except VIC, regardless of how long they were interstate.

² <https://www.police.sa.gov.au/online-services/cross-border-travel-application>

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Travellers from Victoria, other than Essential Travellers, are not permitted to travel to South Australia. This includes South Australian residents.

The essential traveller categories are:

- National and state security and governance
- Emergency service workers
- Commercial transport and freight services
- Remote or isolated workers
- Cross border community members
- Health services
- Specialist workers in essential sectors
- Urgent medical, dental or health treatment
- Passing through
- Compassionate grounds
- Exemption provided by SA Health
- Foreign diplomatic or consular staff.

All travelers (from any state, regardless of restrictions in place) intending to enter SA need to complete the Cross Border Travel Registration to get pre-approval to enter the state.

Queensland:³

A Queensland Border Declaration Pass is needed to be able to enter into Queensland. There are four border pass categories:

- **General**— returning to or travelling to Queensland and have not been in a COVID-19 declared hotspot in the previous 14 days.
- **Essential Activity**—entering Queensland to perform an essential activity (other than transport, freight, and logistics).
- **Border Zone Resident**—an alternate border zone resident permitted to travel across the border within the identified border zone.
- **Freight and Logistics**— providing essential freight and logistics transport.

Essential activity includes:

- National and state security, law enforcement and elected representatives
- Health services and emergency services
- Transport, freight and logistics

³ <https://www.qld.gov.au/health/conditions/health-alerts/coronavirus-covid-19/current-status/public-health-directions/border-restrictions>

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- Time critical specialist skills which can't be obtained within Queensland (specialist workers required to provide a service in the following industries or sectors essential to the continuing running of the state):
 - Construction
 - Construction of transport infrastructure
 - Manufacturing
 - Energy
 - Agribusiness or commercial fishing (not including seasons workers)
 - Emergency services
 - Critical infrastructure or utilities (e.g. electricity, power, telecommunications, water supply, waste management etc)
- Air and maritime crew

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