

The Treasury

Budget 2013 Information Release

Release Document

July 2013

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [7] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [10] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [11] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [12] Not in scope
- [13] 7(b) - to prevent prejudice to relations between any of the Governments of New Zealand, the Cook Islands or Niue
- [14] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [4] appearing where information has been withheld in a release document refers to section 9(2)(b)(ii).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



Vote Transport - Request for an Increase to Non-departmental Output Expense Weather Forecasts and Warnings paid to the Meteorological Service of NZ

Decision Sought

1. Vote Transport purchases public good weather warning and forecast services in New Zealand from the Meteorological Service of NZ (MetService) for \$18.573 million per annum. The services purchased also include forecast and warning services provided beyond New Zealand boundaries down to the Ross Sea ice shelf and up to the Pacific Islands, under mandate from the World Meteorological Organization (WMO).
2. The services are delivered via a contract established in 1992. It has a rolling 6 year term, with price reviewed every 3 years, and price and services every 6. 2012/13 is the year for a price and services review. The current contract expires on 30 June 2013.
3. MetService is seeking an increase to this annual appropriation from 2013/14 as it can no longer provide the services for the contracted price. The request is supported by an attached business case.

Funding Requested

4. The Vote Transport Four Year Plan included an indicative request for an increase of \$1.4 million per annum

\$000	2012/13	2013/14	2014/15	2015/16	2016/17
Funding request	0	1,400	1,400	1,400	1,400

5. However MetService has requested the increase include an annual CPI movement as well, as shown below. The CPI adjustment is calculated on the entire funding of \$18.573 million and is to maintain the organisation's commercial margin.

\$000	2012/13	2013/14	2014/15	2015/16	2016/17
Funding request	0	1,443	1,991	2,397	2,879

6. The Ministry of Transport believes that the regular reviews of price and services over the last 3 years and a review of the contract currently being undertaken support the revised request.
7. However, if Ministers and the Treasury are uncomfortable with this, the Ministry proposes a one year increase of \$1.4 million for 2013/14 and an independent pricing review during 2013/14 of the service, to support a revised bid for 2014/15 and outyears. This will affect the renewal of the contract which expires 30 June 2103.

Background on the Bid and Supporting Work

8. At review points during the life of the contract, MetService has reviewed services and cost. This has allowed it to continue to deliver the core services to the Crown for an unchanged cost. The real price of the contract has declined over time.

9. In 2010, MetService approached the Ministry about a contract price increase ^[7]
The Ministry did not support this and so at the request of the Ministry, MetService completed a review of operations supporting its core business, including the Ministry contract, aviation, and other domestic commercial services. It consulted with stakeholders and identified a number of efficiencies/ cost savings totalling \$1 million per annum, that could be achieved without materially damaging its forecasting capability or compromising its services with respect to World Meteorological Organization (WMO) standards. The proposed contract price increase was not progressed.
10. 2012/13 is a contract renewal year and it is now appropriate to address price.
11. In its current proposal for services to the Minister from 1 July 2013, MetService has started from the position that additional costs should be minimised and has done further work on services that can either be terminated or automated without creating a material safety risk.
12. These proposed changes have delivered a further \$0.5 million reduction in operating costs, and these have been incorporated into the contract price proposal.
13. New Zealand is a member of the WMO and as such, has committed to provide services to a particular standard. MetService must ensure that its services comply with these standards. Falling below them would:
- i)* Jeopardise its reputation within the international community
 - ii)* Threaten the integrity of its brand in commercial markets
 - iii)* Create a risk of liability for MetService in the event of loss of life or property due to a severe weather event that was not adequately forecast. MetService has a duty of care to provide these services to an acceptable standard, and WMO standards provide the only objective point of reference.

[6], [10]

Evaluation of initiative's contribution to outcomes

25. Timely and accurate weather forecasting services contribute to the economic outcomes and New Zealand's competitiveness. Farming, aviation, fishing, shipping and Search and Rescue use weather forecasting services (in particular extreme warnings), as part of their business decision making. Recreational trampers, fliers and boaties are also regular users of the services.