

The Treasury

Budget 2014 Information Release

Release Document

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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
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- [6] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [7] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [8] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [9] 9(2)(h) - to maintain legal professional privilege
- [10] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [12] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [13] Not in scope
- [14] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.

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, a [3] appearing where information has been withheld in a release document refers to section 9(2)(a).

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

INITIATIVE TEMPLATE FOR CAPITAL PROPOSALS

Vote: Transport

Co-Votes: Not Applicable

Title:

Maritime New Zealand - Funding for Maritime Safety and Seafarer Certification IT Infrastructure

Brief Description:

In June 2013 Minister of Transport advised Cabinet that the oversight of the maritime operator safety system would be returned to the control of Maritime New Zealand (MNZ).

This change was recommended following an assessment that the existing safe ship management system (managed by external parties) did not meet operational safety requirements.

Problem Definition

The regulatory changes to the marine operator safety system and seafarer certification are now in place with effect from 1 April 2014.

MNZ have been able to fund an interim IT solution that accommodates the immediate, short-term, requirements of the new safety and certification accountability.

MNZ does not have the capability to fund the implementation of the integrated solution identified in the original business case and seeks \$2.9 million by way of a capital grant to enable the delivery of the IT infrastructure to support the marine operator safety and seafarer certification systems.

Initiative Type: Capital

Priority Area: 2015

Business Growth Objective:

The Marine Operator Safety System and associated Seafarer Certification support the effective operation of the maritime transport capability that supports Government's Business Growth agendas in export markets, natural resources and safe and skilled workplace management. Those business growth objectives require a robust IT infrastructure to deliver the full functionality identified in the MNZ Business Case.

Funding sought (\$ thousands):

<i>\$000*</i>	2014/15	2015/16	2016/17	2017/18	2017/18 and beyond
Net capital impact	2900	0	0	0	

Recommended Decision in Budget 2014

Approval be given to a capital injection of \$2.9 million.

Risk if Budget 2014 Decision is not made

The responsibility for the support of the maritime operator safety system has already been assigned to Maritime NZ. If Crown funding is not provided the full functionality of the preferred IT solution will not be in place to deliver the project outcomes and Maritime NZ would then be required to seek external funding.

Gateway Number

Not applicable.

Whole of Life Cost

On-going costs (including capital charge, software licensing, overheads and personnel costs) will be met from MNZ fees, charges and levies.

Detailed Costings

The full cost of the project (including the transitional solution) is expected to cost \$3.7 million (including a 15% contingency). MNZ has met the cost of the transitional solution (\$0.8 million) from its own cash reserves.

Detailed discussions have yet to be commenced on the implementation of the integrated solution, pending a final decision on the timing and structure of the funding mechanism.

Scaling Options

A number of technical options were considered by MNZ. The preferred IT solution has undergone a robust procurement process and it is not possible to reduce the scale of the project without compromising the overall integrity of the preferred option.

Funding Options

An interim and transitional back-office IT solution has been funded by MNZ but the interim solution will not deliver the overall system functionality and synergies identified in the original policy change business case.

MNZ and Vote Transport do not have the ability to reprioritise funding to accommodate the preferred, integrated IT solution.

The external funding options that have been identified are:

1. A capital grant of \$2.9 million from the Crown to facilitate the provision of essential IT infrastructure, or;
2. A loan provided by the Crown, with interest and repayment terms matched to MNZ's capability to fund such payments in the short to medium term; or;
3. A loan from a commercial bank with interest and repayment terms matched to MNZ's capability to fund such payments in the short to medium term.

Given the preference of the Crown to avoid external borrowing, the preferred option for Maritime NZ is the provision of a capital grant from the Crown (that will attract an annual capital charge of 8%).

The revenue and cost projections undertaken by Maritime NZ reflect a pragmatic assessment of the forecast outcomes. Those projections also reflect the transition to full cost recovery on the various fees, charges and levies that have been previously

approved. Any over (or under) recovery of costs can be accommodated by adjustment in the level of fees, charges and levies.

How do we know this initiative will deliver the outcomes (intervention logic)?

The regulatory changes empowering MNZ to assume the operation and supervision of the marine operator safety system are already in place with effect from 1 April 2014. The provision of a robust and fully functional IT infrastructure is essential to give full effect to the regulatory changes and enable MNZ to meet its statutory obligations in the area of marine operator safety and seafarer certification.

Evaluation of initiative's contribution to outcomes

This information will be addressed in the ex-post evaluation of the project at the end of the 2014/15 financial year.