

Reference: 20230503

8 December 2023



Dear 

Thank you for your Official Information Act request, partially transferred from the Minister of Foreign Affairs to Treasury on 31 October 2023. You requested the following:

- 1. All progress reports sent to the Minister of Foreign Affairs on the Scott Base Redevelopment since January 2022.*
- 2. On 12 April 2021, Cabinet approved changes to appropriations to implement the project. Please provide the advice that was sent to the Minister of Foreign Affairs to inform that decision.*
- 3. Any advice or correspondence sent to the Minister of Foreign Affairs related to requests for, or a need for, further funding increases since that approval. Please include whole documents, not just the parts deemed in scope.*

On 22 November 2023 the time to respond was extended by 10 working days due to time needed to consult with the Ministry of Foreign Affairs and Trade on the release of the enclosed documents.

### Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	17 August 2023	Aide Memoire T2023-1620 Scott Base Redevelopment Monthly Reporting	Commercially sensitive information is being withheld.
2.	5 October 2023	Aide Memoire T2023-1843 Scott Base Redevelopment September Monthly Reporting	Commercially sensitive information is being withheld.

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

- commercially sensitive information, under section 9(2)(i) – to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities,
- maintain the constitutional conventions under section 9(2)(f)(iv) – to protect the confidentiality of advice tendered by Ministers of the Crown and officials,
- 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, and,
- 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) to reduce the possibility of staff being exposed to phishing, social engineering 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.

These documents are the only items held by Treasury within scope of parts 1-3 of your request.

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

Craig Murphy  
**Manager, Investment Management System (IMS)**

# OIA 20230503

## Information for release

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1.	<a href="#">Aide Memoire T2023-1620 Scott Base Redevelopment Monthly Reporting</a>	1
2.	<a href="#">Aide Memoire T2023-1843 Scott Base Redevelopment September Monthly Reporting</a>	5



Reference: T2023/1620

Date: 17 August 2023

To: Minister of Finance (Hon Grant Robertson)  
Minister of Foreign Affairs (Hon Nanaia Mahuta)

Deadline: None

## Scott Base Redevelopment: Monthly Reporting

### Purpose

1. In December 2022, Cabinet agreed to provide additional funding for a range of infrastructure projects facing cost escalation, including the Scott Base Redevelopment Project (the Project). In doing so, Cabinet also directed officials to commission an independent quality assurance expert to provide monthly reporting on the Project to the Minister of Foreign Affairs and Minister of Finance [DEV-22-MIN-0296 Revised refers].
2. This aide memoire updates you following receipt of the first monthly report, and sets out the steps that Antarctica New Zealand, the Ministry of Foreign Affairs and Trade and the Treasury will be taking ahead of the next monthly Project report on 11 September 2023.

### Background

3. In June 2021, Cabinet noted the strategic importance of Scott Base: New Zealand has key strategic interests in Antarctica and the Southern Ocean, including ensuring peace, security and effective governance, and protecting our environmental, scientific, conservation, reputational and economic interests that are underpinned by our presence there through Scott Base since its establishment in 1957 [ERS-21-MIN-0024 refers].
4. The Scott Base Redevelopment Project was developed in 2016 to address this by replacing deteriorating buildings, facilities and systems, including:
  - developing three interconnected buildings for accommodation, science and operations and engineering vehicle workshops (these will be constructed in Timaru and then shipped as modules to Antarctica for assembly on site)

- procurement, shipping and construction of a new wind farm, and
  - site works, construction and commissioning (expected to be completed in 2028).
5. Through Budget 2021, Cabinet approved \$344 million (\$306 million capital and \$38 million total operating across the forecast period) for the Project. Shortly afterwards in June 2021, Cabinet then agreed to proceed with the Project's business case and authorised Antarctica New Zealand to begin incurring expenditure against funding that had been appropriated [ERS-21-MIN-0024 refers].
  6. As the detailed design work was finalised during 2022, quantity surveyors prepared updated costings ahead of going out to market for the main construction contract. Antarctica New Zealand informed MFAT and Treasury that the estimated capital cost of the Project had increased by \$159 million, from \$306 million to \$464 million (an increase of just over 50%). \$87 million of this increase was driven by inflation, with the balance being a combination of logistics, final design complexity and advisory costs.
  7. As part of the Centralised Cost Escalation Process in December 2022, Cabinet approved additional funding of \$198 million for the Project: \$159 million capital and \$39 million total operating expenditure across the forecast period (and out to 2029/30, when the operating costs reach a steady-state). The total approved budget is now \$503 million, comprising \$464 million capital and \$39 million total operating expenditure across the forecast period. This additional funding enabled the Project to go to market for the construction works.

**BBD Report: Budget**

8. As part of the Cabinet decision to provide the additional funding, officials were directed to commission an independent quality assurance expert to provide monthly reporting to the Minister of Foreign Affairs and the Minister of Finance on costs and contingency forecasting for the project. Barnes Beagley Doherr Limited (BBD) has been appointed to this role, and their first report was provided to MFAT and Treasury on 31 July 2023.

9.

s9(2)(i)

10.

s9(2)(i)

### **BBD Report: Programme**

11. BBD advise the appointment of the Project's main contractor, which Leighs Construction are in negotiations for, is two months behind schedule. This is still sufficient time to meet milestones if negotiations can be resolved promptly.
12. The delay to contractor appointment and the scheduled start of onsite construction in Timaru is showing up in the cash flow forecast reviewed by BBD, which shows approximately \$25 million less spent than forecast.
13. BBD have observed challenges to electrically integrate the wind farm, including changing one of the key consultants working on the project due to underperformance.
14. While BBD has indicated that overall the project is behind schedule, it considers it is currently on track to meet major milestones as mitigations are being put in place. However, there are material risks to the critical path that have substantial financial implications. For example, if the project cannot commence in a timely manner the annual shipping window may need to be rescheduled by a year.
15. BBD have not indicated that a lack of planning, governance or construction expertise is a factor in the issues being experienced by the investment, however BBD will investigate these factors more fully in their August report.

### **Next Steps**

16. Negotiation with the main contractor Leighs Construction is due to be completed by Friday 18 August. We understand Antarctica New Zealand's Board will be meeting on Tuesday 22 August to review the outcome and consider next steps. Officials will be seeking an update from Antarctica New Zealand following this meeting, which we will provide to you.
17. MFAT and Treasury officials have their next regular bi-monthly monitoring meeting with Antarctica New Zealand on Wednesday 30 August, which will provide another opportunity to discuss this developing situation.
18. BBD's next monthly report is expected to be available the week starting Monday 11 September. This will be made available to you when received by MFAT and Treasury.

### **Comment**

19. We note this project is complex and has a high level of inherent risk. The general market cost escalation in a post COVID market has been significant, which

compounds this. Infrastructure projects abroad are experiencing considerable cost pressure, with large projects in Australia experiencing cost pressure rates above 30% on average.

20. s9(2)(f)(iv)



21. Ministerial decisions may be sought once Antarctica New Zealand has had the opportunity to consider the outcome of the current commercial negotiations and next steps.

22. s9(2)(f)(iv)



23. We will provide further advice on these issues as part of wider advice when seeking Ministerial decisions on the Project in the future.

Alice Revell, Environment Divisional Manager, MFAT, s9(2)(g)(ii)

Nick Longdon, Finance Unit Manager, MFAT, s9(2)(g)(ii)

Hamish Coghill, Senior Analyst, International, Treasury, s9(2)(g)(ii)

Craig Murphy, Manager, Investment Management System, Treasury, s9(2)(k)



Reference: T2023/1843

Date: 5 October 2023

To: Minister of Finance (Hon Grant Robertson)  
Minister of Foreign Affairs (Hon Nanaia Mahuta)

Deadline: None  
(if any)

## Scott Base Redevelopment: September Monthly Reporting

### Purpose

1. In December 2022 Cabinet agreed to provide additional funding for the Scott Base Redevelopment Project (the Project) as part of the centralised cost-escalation process. Cabinet also directed officials to commission an independent quality-assurance expert to provide monthly reporting to the Minister of Foreign Affairs and Minister of Finance [DEV-22-MIN-0296 Revised refers]. The Ministry of Foreign Affairs and Trade (MFAT) and the Treasury provided the first monthly report to you on 17 August 2023 (T2023/1620 refers).
2. This aide-mémoire provides you the second monthly update on the Project.

### Background

3. The Project was developed in 2016 to address deteriorating buildings, facilities and systems at Scott Base. In Budget 2021, Cabinet approved \$344 million (\$306 million capital and \$38 million total operating across the forecast period). As part of the Centralised Cost Escalation Process in December 2022, Cabinet approved additional funding of \$198 million (\$159 million capital and \$39 million total operating across the forecast period and out to 2029/30 when the operating costs reach a steady state), taking the total budget to \$503 million<sup>1</sup>.
4. On 31 July Barnes Beagley Doherr Limited (BBD), the independent quality assurance expert, provided its first report. Consistent with advice from the Antarctica New Zealand project team, which was trying to conclude negotiations for the construction contract, s9(2)(i) [REDACTED]
5. MFAT and Treasury provided informal updates to your Offices on 15 and 17 September 2023. Our updates outlined that the Board of Antarctica New Zealand decided to pause negotiations with Leighs, the preferred main contractor, for a 10-week period while it considers options to deliver the Project within its Cabinet approval.

<sup>1</sup> The total budget figure represents the total funding provided in Budget 2021, including both capital and operating, and the additional capital funding provided in December 2022.



6. This decision will mean some civil works will be paused this summer season and some supplier contracts will be paused.

### September BBD Report

7. s9(2)(i)

8.

9. Separately, BBD has also raised a concern around the timeliness of the information that it receives from Antarctica New Zealand. Currently BBD receives financial information two months in arrears, whereas in the normal course of a commercial engagement it would receive information one month in arrears. We have asked Antarctica New Zealand to address this.

### Next Steps

10. Ministerial decisions on next steps are expected to be sought once Antarctica New Zealand has had the opportunity to consider the outcome of its ten-week process.
11. MFAT and the Treasury will provide further advice, including BBD's independent analysis on the viability of the options proposed by Antarctica New Zealand and next steps with the Project. We are working with BBD and Antarctica New Zealand to ensure BBD has appropriate access over the ten-week period to enable it to provide independent advice on Antarctica New Zealand's preferred option. Antarctica New Zealand's next six-monthly report on the project is also due in October and will be provided to Ministers in November.
12. We have communicated to Antarctica New Zealand our expectations that any option will be delivered within the project's approved budget, and Antarctica New Zealand's Board has indicated its intention to do so.

Alice Revell, Climate, Antarctic & Environment Divisional Manager, MFAT, s9(2)(g)(ii)

Nick Longdon, Finance Unit Manager, MFAT, s9(2)(g)(ii)

Ben Lindsay, Analyst, International, Treasury, s9(2)(k)

Craig Murphy, Manager, Investment Management System, Treasury, s9(2)(g)(ii)