

HON ANDREW LITTLE, MINISTER OF DEFENCE

New Zealand Defence Force: Building the Burnham Maintenance Support Facility

October 2023

This paper has been proactively released. This paper seeks approval to:

- build a Maintenance Support Facility at Burnham Military Camp; and
- progress two other builds in the Consolidated Logistics Project (the Linton Maintenance Support Facility and Linton Regional Supply Facility), which will enable preliminary compliance works for a future build and the completion of an in-progress build.

No new funding is required for the Burnham Maintenance Support Facility.

The pack comprises the following documents:

- July 2023 Cabinet Government Administration and Expenditure Review Committee Minute of Decision *New Zealand Defence Force: Building the Burnham Maintenance Support Facility* [GOV-23-MIN-0026]; and
- The associated Cabinet Paper *Defence Force: Building the Burnham Maintenance Support Facility*.

Information has been withheld in accordance with:

- section 6(a) of the OIA: *if the making available of that information would be likely to prejudice the security or defence of New Zealand or the international relations of the Government of New Zealand;*
- section 9(2)(b)(ii) of the OIA: *where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information;*
- section 9(2)(f)(iv) of the OIA: *to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials;*
- section 9(2)(g)(i) of the OIA: *to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty; and*
- section 9(2)(j) of the OIA: *to enable a Minister of the Crown or any department or organisation holding the information to carry out, without prejudice or disadvantage, negotiations.*

In addition, the Business Case (Appendix One) has been withheld in full in accordance with sections 9(2)(b)(ii), 9(2)(f)(iv) and 9(2)(j) of the OIA. The public interest is met with a summary of the key information that formed the basis of Cabinet's decision to invest this funding being provided by the Cabinet paper.



Cabinet Government Administration and Expenditure Review Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

New Zealand Defence Force: Building the Burnham Maintenance Support Facility

Portfolio Defence

On 27 July 2023, the Cabinet Government Administration and Expenditure Review Committee:

Previous decisions

- 1 **noted** that the refreshed Consolidated Logistics Project Detailed Business Case was approved by Cabinet in June 2020 with a sequenced implementation path that is subject to approval of subsequent Implementation Business Cases (GOV-20-MIN-0019);
- 2 **noted** that the total capital cost for the project has increased by **s.9(2)(j)** since Cabinet approved the Consolidated Logistics Project Detailed Business Case due to increased construction costs;
- 3 **noted** that the project remains necessary to ensure operational readiness and to achieve the forecasted economic benefit to the New Zealand Defence Force (NZDF) of between \$1,848 million and \$3,126 million by 2041/42;
- 4 **noted** that Cabinet funded the first of the project's five builds in 2021 (GOV-21-MIN-0016) which is currently under construction;

Burnham Maintenance Support Facility

- 5 **noted** that the NZDF has designed the second build, the Burnham Maintenance Support Facility, and has selected a preferred supplier to deliver it;
- 6 **noted** that the facility has a capital cost of \$70.000 million that will be funded from depreciation reserves;
- 7 **noted** that the facility is needed to replace 1940s-era buildings with modern infrastructure to maintain and repair critical equipment for the Army;
- 8 **noted** that the forecast annual direct operating cost of **s.9(2)(j)** and depreciation of **s.9(2)(g)(i)** at a steady state from 2026/27 will be funded from Vote Defence Force baselines;

- 9 **noted** that, although the Burnham Maintenance Support Facility is out of scope of the Greenstar system, environmental sustainability is a key design feature;
- 10 **endorsed** the Burnham Maintenance Support Facility Implementation Business Case, attached as Appendix One to the paper under GOV-23-SUB-0026;
- 11 **approved** the NZDF to contract the preferred supplier to construct the facility;
- 12 **authorised** the Chief of Defence Force to commit and approve expenditure up to the amount of \$70.000 million for the construction of the Burnham Maintenance Support Facility;

Completing the Linton Maintenance Support Facility

- 13 **noted** that in 2021 Cabinet approved a capital budget of \$47.066 million for the Linton Maintenance Support Facility (GOV-21-MIN-0016);
- 14 **noted** that construction cost increases has created a risk that the capital budget for the facility may need to be exceeded up to \$1.500 million to complete the build;
- 15 **noted** that the additional \$1.500 million can be drawn from funding already committed to the Consolidated Logistics Project;
- 16 **agreed** that, if needed, the capital budget of \$47.066 million for the Linton Maintenance Support Facility can be exceeded by up to \$1.500 million;

Procuring the Linton Regional Supply Facility

- 17 **authorised** the Chief of Defence Force to sign a letter of intent with the preferred supplier for the Linton Regional Supply Facility, once one has been selected, for up to s.9(2)(b)(ii) to complete preliminary compliance work on-time;

Designing the final two builds

- 18 **noted** that design costs for the final two builds in the Consolidated Logistics Project will be submitted for consideration in Budget 2024, subject to the funding not being available internally, to provide greater certainty to Cabinet on the subsequent cost of the builds.

Vivien Meek
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Jan Tinetti
Hon Andrew Little
Hon Dr Deborah Russell

Officials present from:

Office of the Prime Minister
Officials Committee for GOV

COMMERCIAL: RESTRICTED

Office of the Minister of Defence

Cabinet Government Administration and Expenditure Review Committee

Defence Force: Building the Burnham Maintenance Support Facility

Proposal

- 1 I seek approval to build a Maintenance Support Facility at Burnham Military Camp. No new funding is required. The \$70.000 million capital cost will be funded from depreciation reserves and operating costs will be met from existing Vote Defence Force baselines s.9(2)(g)(i)
- 2 This is the next step of the Consolidated Logistics Project, which is improving defence logistics to ensure operational readiness and achieve a forecasted economic benefit to the New Zealand Defence Force (NZDF) of between \$1,848 million and \$3,126 million by 2041/42.
- 3 I also seek Cabinet approval to progress two other builds in the Consolidated Logistics Project, which will enable preliminary compliance works for a future build and the completion of an in-progress build.

Relation to government priorities

- 4 The investment is strongly aligned with the three Cabinet-approved Defence priorities of *Pacific*, *People*, and *Infrastructure* (ERS-21-MIN-0040 refers).
 - 4.1 Strategic competition and the effects of climate change will amplify longstanding challenges in the *Pacific*. The NZDF's ability to operate in the region is underpinned by logistics. A modern logistics system is needed to keep defence equipment serviceable and available when needed.
 - 4.2 *Infrastructure* is a fundamental element of a modern logistics system; it enables defence equipment to be stored, maintained, and repaired so that it is ready when needed. The investment will replace World War Two-era infrastructure with fit-for-purpose facilities.
 - 4.3 The facility will improve the safety and well-being of the NZDF's *people*, and consequently assist retention, by replacing cramped, cold, and dated buildings.

Executive Summary



The proposed Maintenance Support Facility

- 5 I recommend that the Committee agree to build a Maintenance Support Facility at Burnham Military Camp.
- 6 The proposed facility is a workshop that will enable the Army to repair equipment at Burnham Military Camp, including highly technical equipment and military vehicles.
- 7 Logistics ensures defence equipment is ready when needed for operations. Infrastructure is a particularly important part of logistics; it enables equipment to be maintained, repaired, and stored.
- 8 The Army's logistics infrastructure is not fit-for-purpose. Much of the infrastructure dates from the 1940s and has only received minor upgrades since. [s.6\(a\)](#)
- 9 The Consolidated Logistics Project was established to address the Army's unsuitable logistics infrastructure. Cabinet agreed to the project's Detailed Business Case in 2020 (CAB-20-MIN-0296 refers). This set out a sequenced approach to delivery with five infrastructure builds. Cabinet approved the first build in 2021 which is currently under construction (CAB-21-Min-0208 refers).
- 10 Since Cabinet approved the Consolidated Logistics Project, the total capital cost has increased by [s.9\(2\)\(j\)](#) This is due to cost increases in the construction sector.
- 11 The project remains worthwhile despite the increase. It will result in a forecasted economic benefit to the NZDF of between \$1,848 million and \$3,126 million by 2041/42. This is because the new infrastructure will enable equipment stocks to be optimised and pooled; replacing a more expensive decentralised model.
- 12 No new funding is required for the Burnham Maintenance Support Facility. The \$70.000 million capital cost will be funded from depreciation reserves and operating costs will be managed from Vote Defence Force baselines [s.9\(2\)\(j\)](#)

- 12.1 The capital cost will be met from depreciation reserves as this investment was not invited in Budget 2023. Although no new funding is sought, Cabinet approval is required as the capital cost exceeds the spending threshold set through the Investor Confidence Rating process.
- 13 In addition to building the Burnham Maintenance Support Facility (the second build in the Consolidated Logistics Project), the following decisions are sought to progress two other builds in the project:
- 13.1 approve to exceed the Cabinet-approved budget of the first build by up to \$1.500 million using existing funding already committed to the project; and
- 13.2 authority to sign a letter of intent with the preferred supplier of the third build to begin preliminary compliance works (this does not commit the Crown to the build).
- 14 If Cabinet agrees, the next step is to sign a contract with the preferred supplier to deliver the Burnham Maintenance Support Facility.

The Consolidated Logistics Project

Previous decisions

- 15 In 2020, Cabinet agreed to the Consolidated Logistics Project's refreshed Detailed Business Case and its recommended sequenced option for implementation (CAB-20-MIN-0296 refers).¹ The agreed sequence includes the following five builds across the Linton (Palmerston North) and Burnham (Christchurch) Military Camps.
- 15.1 One: Linton Maintenance Support Facility.
- 15.2 Two: Burnham Maintenance Support Facility (this paper).
- 15.3 Three: Linton Regional Supply Facility.
- 15.4 Four: Burnham Regional Supply Facility.
- 15.5 Five: Linton Regional Vehicle Storage Facility.
- 16 Cabinet approved the first build in 2021, which is the Linton Maintenance Support Facility (CAB-21-Min-0208 refers). It is currently under construction.

Why is the Consolidated Logistics Project needed?

- 17 Logistics is fundamental to the Army's effectiveness on operations. The logistics system enables the Army's equipment to be procured, stored,

¹ The Detailed Business Case was refreshed to confirm the project's scope, preferred infrastructure delivery option, and to seek approval for the use of depreciation reserves to fund some of its costs.

maintained, and repaired. Crucially, it also allows the equipment to be ready when needed at the right location and in the right quantity.

- 18 Infrastructure is a fundamental component of logistics. Infrastructure enables the Army to maintain, repair, and store its equipment.
- 19 The Army's logistics infrastructure is not fit-for-purpose. Much of the infrastructure dates from the 1940s and has only received minor upgrades since. s.6(a)
- 20 Modern infrastructure is also needed to provide personnel with a safe and suitable workplace.
- 21 Alongside ensuring operational effectiveness, one of the key objectives of the Consolidated Logistics Project is to reduce the cost of defence equipment. The project will enable the new 'Equip the Force' model which is forecasted to result in economic benefit to the NZDF of between \$1,848 million and \$3,126 million by 2041/42.
- 22 This is made possible by optimising the volumes of capital equipment purchased, and by pooling it. Such optimisation is enabled by the infrastructure being delivered by the project; this allows the NZDF to store, maintain, and repair the pooled equipment. Without the infrastructure the NZDF would need to continue with its current decentralised model that incurs greater costs.

The project is worthwhile despite rising construction costs

- 23 Construction costs have increased since the Detailed Business Case was approved in 2020. This is primarily due to the rising cost of materials, along with other inflationary pressures in the construction sector.
- 24 As a result, the capital cost required for infrastructure has increased from s.9(2)(j) The total capital cost for the project is now s.9(2)(j) which is an increase of s.9(2)(j) Further delays or higher than forecasted inflation could negatively affect these costs.
- 25 A breakdown of the capital cost increase is outlined below.²

² Costs in the table are split across multiple Implementation Business Cases in accordance with the sequenced option for delivery, which requires design and procurement costs to be sought in advance.

Component	2020 Forecast (\$millions)	2022 Forecast (\$millions)
Project team		s.9(2)(j)
Design & procurement for the first two builds		
Build 1: Linton Maintenance Support Facility		
Build 2: Burnham Maintenance Support Facility		
Design & procurement stages for the last three builds		
Build 3: Linton Regional Supply Facility		
Build 4 & 5: Burnham Regional Supply Facility & Linton Regional Vehicle Storage Facility		
Total infrastructure		
Non-infrastructure costs		
Total project capital cost		

- 26 The NZDF recommends proceeding with the project – completing all builds will provide significant benefits. The project will ensure that the Army continues to have suitable equipment to carry out its operations and will achieve forecasted economic benefits to the NZDF of between \$1,848 million and \$3,126 million. Without the project, the NZDF will retain a decentralised logistics model that incurs greater equipment costs.
- 27 The NZDF also recommends against delaying the project or its component builds. A delay would likely result in cost increases of between 5% and 8% per annum. It may also require tenders to be sought again, which would affect market trust and reduce the likelihood of companies re-bidding for this, and other NZDF projects.
- 28 Delaying would also affect the NZDF's ability to support equipment being delivered as part of two recently approved projects (vehicles in the Protected Mobility Capability Project and communication systems in the Network Enabled Army Project). The current facilities are unable to support the incoming equipment due to its physical size and security requirements. Alternatives are available but these are inefficient and costly. For example, maintenance of the Bushmaster vehicles would need to be outsourced to a commercial provider, incurring additional costs and requiring sensitive equipment to be removed prior to each servicing.

³ Project team costs have increased as a result of the extended delivery timeline following Cabinet's agreement to the sequenced implementation approach.

⁴ The \$70.000 million capital cost for this build is comprised of s.9(2)(j) in construction costs and s.9(2)(j) of project support costs.

The Burnham Maintenance Support Facility

- 29 I recommend that the Committee approve the construction of the Maintenance Support Facility at Burnham Military Camp. The Burnham Maintenance Support Facility Project Implementation Business Case (PIBC) is at Appendix One.
- 30 The existing maintenance facilities are not fit-for-purpose. The buildings date from the 1940s, and are now in poor condition and are not suitable for supporting modern equipment. Since the facility was built, the Army's equipment has become physically larger, has more electronic components, and has higher standards for storage and security.



The doors on the existing facility are too small for modern military vehicles, which requires the vehicles to be repaired outside

- 31 The proposed Maintenance Support Facility is a workshop that will enable the Army to repair equipment at Burnham Military Camp. It will be suitable for maintaining both current and future equipment, including vehicles and highly technical equipment. The build will include the construction of ancillary facilities, including a Dangerous Goods Store and Heavy Recovery Vehicle storage.
- 32 The lifespan of the facility is 60 years, which will be achieved through planned renewal and maintenance as part of best practice asset management.

The facility's design is environmentally sustainable

- 33 Environmental sustainability is a key design feature, despite the build being out of scope from the Greenstar system.⁵ The facility has numerous features that will promote environmental sustainability, improve energy efficiency, and reduce the carbon footprint. The materials selected for the build are highly durable, maximise the use of low embodied carbon timber, and are locally sourced where possible.
- 34 Additionally, the facility has a flexible design that supports future change and growth. This includes the selection of a location that allows for modular expansion, if needed. The design can also support electric vehicle charging and renewable energy generation, if these are introduced in the future.

NZDF ran a standard tender process to select a preferred supplier

- 35 To select a contractor to undertake the build, the NZDF ran a two-stage process between May and October 2022. This began with an open Registration of Interest that was advertised on the Government Electronic Tender Service. Five proposals were received, and these were narrowed down to a short-list of three, who were invited to participate in the Request for Tender.
- 36 The three companies submitted tenders, which were assessed against both technical and price criteria. The technical criteria allowed the NZDF to compare their ability to successfully deliver the project. The price criteria covered their pricing model along with their plan to manage delays and cost escalations for materials and labour. Each tender was scored against these criteria, and as a result, Leigh's Construction was selected as the preferred supplier.
- 37 Leigh's Construction are a Canterbury-based and New Zealand-owned company. The company presented a well-thought out proposal which met the pricing requirements. Due diligence by the NZDF has confirmed their ability to deliver to the high standard required. Furthermore, as they have a significant presence in the local region, they provide the opportunity to support regional development; 90% of the contract value will be spent in the Canterbury region.

NZDF has mitigated cost uncertainty from the tight construction market

- 38 Due to conditions in the construction market, no tenderer was willing to offer a fixed price with a validity period long enough to seek Cabinet approval for the investment. As a result, allowance has been made in the project budget for the contract to be repriced; this will only occur for proven incurred cost

⁵ As of April 2022, new government-owned non-residential buildings over \$25 million are required to comply with an approved sustainability rating system, known as Greenstar, under the Carbon Neutral Government Programme. The NZDF has been advised by New Zealand Government Procurement that the Burnham Maintenance Supply Facility is out of scope from the Greenstar system, as the detailed design was completed before the system was introduced.

escalation of raw materials and labour. While this could mean the final price for the build varies from the tendered price, the NZDF is confident that cost risks have been mitigated s.9(2)(g)(i)

- 39 The NZDF has also undertaken a number of assurance processes, including engagement with independent quantity surveyors, conducting a schedule of quantities process to detail quantities of each component of the structure, and a Quantitative Risk Assessment. This provides additional cost assurance and has informed the project's ongoing risk management approach and contingency provision.

Next steps

- 40 If approved, the NZDF will proceed to sign a contract for the construction of the Burnham Maintenance Support Facility with the preferred supplier. The key milestones for the build are set out below.

Milestones for the Burnham Maintenance Support Facility	Date
Contract signed	June 23
Construction complete	Q3 25
Interim Operating Release	Q4 25
Operational Release	Q1 26

Completing the Linton Maintenance Support Facility

- 41 I recommend that the Committee agree that, if required, the Cabinet-approved capital budget of \$47.066 for the Linton Maintenance Support Facility can be exceeded by up to \$1.500 million. No additional funding is required.
- 42 The Linton Maintenance Support Facility (equivalent to the Burnham facility being sought in this paper) is the first build in the Consolidated Logistics Project. It was approved by Cabinet in 2021 and is currently under construction. This facility is on-track to be operational by the end of 2023.
- 43 Cabinet agreed to a capital budget of \$47.066 million for the build, s.9(2)(j) (CAB-21-Min-0208 refers). Since this was agreed, cost increases in the construction sector have created a risk that the contingency may be exceeded. The NZDF now anticipates that up to an additional \$1.500 million may be required to supplement the contingency.
- 44 No additional funding is required as the amount can be drawn from funding already committed to the Consolidated Logistics Project.
- 45 Cabinet approval is necessary since the additional \$1.500 million, if it is needed, would result in the build's capital cost exceeding the Cabinet-approved budget.

- 46 If the contingency supplement is not needed for the Linton Maintenance Support Facility, it will remain available for use by the three final builds in the Consolidated Logistics Project. If the funding is needed, it may increase the amount that will be sought to deliver the remaining builds.

Procuring the Linton Regional Supply Facility

- 47 I recommend that the Committee authorise the Chief of Defence Force to sign a letter of intent with the preferred supplier for the Linton Regional Supply Facility. The letter is needed for preliminary compliance and does not commit the Crown to building the facility.
- 48 The Linton Regional Supply Facility is the third build in the Consolidated Logistics Project. It involves the construction of a warehouse based at Linton Military Camp. The warehouse would provide support for four functions: operational supply chain and commodity management, goods distribution, warehousing, and management services for pooled equipment.
- 49 To complete preliminary compliance work on-time, the NZDF needs to sign a letter of intent with the preferred supplier. The letter would not commit the Crown to contract the preferred supplier to carry out the build.
- 50 The NZDF has yet to commence the process to select the preferred supplier; the letter would be signed once this has been completed.
- 51 The compliance work has a cost of s.9(2)(b)(ii) capital, which can be met from existing project funding.
- 52 Approval to build the Linton Regional Supply Facility would be sought from Cabinet through the Budget 2024 process. It has an estimated capital cost of \$90.000 million and will be sought as new capital injection.

Designing the final two builds

- 53 The final two builds in the Consolidated Logistics Project are the Burnham Regional Supply Facility and the Linton Regional Vehicle Storage Facility.
- 54 Approval for these two builds will be sought from Cabinet through the Budget 2025 process with a single Implementation Business Case. The two builds have a combined capital cost of approximately \$140.000 million. It is uncertain at this time whether these will be funded from depreciation reserves, new capital injection or a combination of both.
- 55 Funding for design costs will need to be sought earlier to enable procurement and market pricing for the two builds. This approach has been used throughout the Consolidated Logistics Project to enable greater price certainty for Cabinet. The funding for design costs will be submitted for consideration at Budget 2024, subject to it not being available internally.

Next steps

- 56 If Cabinet agrees, the NZDF will proceed to:
- 56.1 sign a contract with the preferred supplier to deliver the Maintenance Support Facility at Burnham Military Camp;
 - 56.2 complete construction of the Maintenance Support Facility at Linton Military Camp; and
 - 56.3 sign a letter of intent with the preferred supplier for the Linton Regional Supply Facility, once one has been selected, to carry out preliminary compliance works.

Risks

- 57 NZDF has identified three key risks if the investment is not made.
- 57.1 s.6(a)
 - 57.2 Progressing all five builds in the project is important to replace the current decentralised logistics model; if this more expensive model is retained, it may create a risk of future cost pressures.
 - 57.3 s.6(a)
- 58 The NZDF has identified one key risk to the successful delivery of the build.
- 58.1 The volatile construction sector creates a risk that the cost of the build may increase further, and/or that it may be delayed. The NZDF has mitigated this risk through the commercial construct and management structure of the project. This includes the provision of an appropriately sized contingency and the use of relevant assurance measures, such as an independent quantity surveyor and a Quantitative Risk Assessment.

Financial Implications

Burnham Maintenance Support Facility

- 59 The Burnham Maintenance Support Facility construction investment has a whole of life cost of s.9(2)(j) over a 25 year appraisal period, which is s.9(2)(j) at net present value. This includes s.9(2)(j) in operating costs over the appraisal period which will be met from Vote Defence Force baseline funding. The whole of life cost also includes capital renewals

of s.9(2)(j) which will be included as part of the NZDF Infrastructure Renewal Programme.

CLP Burnham MSF Construction (\$M)	Total
Construction Investment	s.9(2)(j)
Capex renewal (not sought in the PIBC)	
Total Capital Investment	
Total Through life Costs	
Total Whole of Life Cost	
Net Present Value	

60 The facility has a capital cost of \$70.000 million. This can be funded from NZDF depreciation reserves.

60.1 The capital cost will be met from depreciation reserves as this investment was not invited in Budget 2023. Although no new funding is sought, Cabinet approval is required as the capital cost exceeds the spending threshold set through the Investor Confidence Rating process.

Capital Investment (\$M)	2023/24	2024/25	2025/26	2026/27	Total
Burnham MSF			s.9(2)(j)		
Project Support Costs					
Total capital costs					70.000

61 Direct operating costs are s.9(2)(j) per annum (at a steady state from 2026/27), which is s.9(2)(j) per annum greater than the current facility. This cost will be managed from Vote Defence Force baseline funding.

62 The facility will result in cost avoidance estimated at \$0.320 million per annum as a result of repairs to land vehicles that currently require external support due to deficiencies in existing infrastructure.

63 Depreciation costs of s.9(2)(g)(i) per annum (at a steady state from 2025/26) will be met from Vote Defence Force baseline funding.

Operating Costs (\$M)	2023/24	2024/25	2025/26	2026/27 and outyears	Total Forecast Period
Operating	-			s.9(2)(j)	
Depreciation	-			s.9(2)(g)(i)	
Total Operating Costs	-			s.9(2)(j)	

Other Implications

64 There are no legislative, gender, population, Treaty, climate change, human rights or cost of living implications resulting from this proposal.

Use of External Resources

- 65 The NZDF used consultants for the project team as a surge in project management expertise was required. A total of six personnel undertaking 1900 hours of work were engaged in the development of the policy advice presented in this paper.
- 66 Of these, 1300 hours were engaged for project management, writing, procurement activities, and financial support. There is insufficient capacity or capability within the NZDF to deliver these services for all of the projects the NZDF is delivering.
- 67 A further 600 hours were engaged to undertake professional services consisting of quantity surveying and design. These services are not supplied by the NZDF and are engaged on an as needed basis.

Consultation

- 68 This paper has been prepared by the NZDF and the Ministry of Defence. It has been consulted with the Treasury, Public Service Commission and Infrastructure Commission.
- 69 The Department of the Prime Minister and Cabinet (PAG) has been informed.

Proactive Release

- 70 I propose to release this paper proactively, subject to appropriate redactions.

Recommendations

The Minister of Defence recommends that the Committee:

Previous decisions

- 1 **note** the refreshed Consolidated Logistics Project Detailed Business Case was approved by Cabinet in June 2020 with a sequenced implementation path that is subject to approval of subsequent Implementation Business Cases (CAB-20-MIN-0296 refers);
- 2 **note** the total capital cost for the project has increased by s.9(2)(j) since Cabinet approved the Consolidated Logistics Project Detailed Business Case due to increased construction costs;
- 3 **note** the project remains necessary to ensure operational readiness and to achieve the forecasted economic benefit to the NZDF of between \$1,848 million and \$3,126 million by 2041/42;
- 4 **note** Cabinet funded the first of the project's five builds in 2021 (CAB-21-Min-0208 refers) which is currently under construction;

Burnham Maintenance Support Facility

- 5 **note** the NZDF has designed the second build, the Burnham Maintenance Support Facility, and has selected a preferred supplier to deliver it;
- 6 **note** the facility has a capital cost of \$70.000 million that will be funded from depreciation reserves;
- 7 **note** the facility is needed to replace 1940s-era buildings with modern infrastructure to maintain and repair critical equipment for the Army;
- 8 **note** the forecast annual direct operating cost of s.9(2)(j) and depreciation of s.9(2)(g)(i) at a steady state from 2026/27 will be funded from Vote Defence Force baselines;
- 9 **note** although the Burnham Maintenance Support Facility is out of scope of the Greenstar system, environmental sustainability is a key design feature;
- 10 **endorse** the Burnham Maintenance Support Facility Implementation Business Case;
- 11 **approve** the NZDF to contract the preferred supplier to construct the facility;
- 12 **authorise** the Chief of Defence Force to commit and approve expenditure up to the amount of \$70.000 million for the construction of the Burnham Maintenance Support Facility;

Completing the Linton Maintenance Support Facility

- 13 **note** in 2021 Cabinet approved a capital budget of \$47.066 million for the Linton Maintenance Support Facility (CAB-21-Min-0208 refers);
- 14 **note** construction cost increases has created a risk that the capital budget for the facility may need to be exceeded up to \$1.500 million to complete the build;
- 15 **note** the additional \$1.500 million can be drawn from funding already committed to the Consolidated Logistics Project;
- 16 **agree** that, if needed, the capital budget of \$47.066 million for the Linton Maintenance Support Facility can be exceeded by up to \$1.500 million;

Procuring the Linton Regional Supply Facility

- 17 **authorise** the Chief of Defence Force to sign a letter of intent with the preferred supplier for the Linton Regional Supply Facility, once one has been selected, for up to s.9(2)(b)(ii) to complete preliminary compliance work on-time; and

Designing the final two builds

- 18 **note** design costs for the final two builds in the Consolidated Logistics Project will be submitted for consideration in Budget 2024, subject to the funding not being available internally, to provide greater certainty to Cabinet on the subsequent cost of the builds.

Authorised for lodgement

Hon Andrew Little

Minister of Defence

**APPENDIX ONE: BURNHAM MAINTENANCE SUPPORT FACILITY PROJECT
IMPLEMENTATION BUSINESS CASE**

Released by the Minister of Defence