

OC241372 / OMB - 020458

10 October 2025

Tēnā koe [REDACTED]

I am writing to you following correspondence Te Manatū Waka the Ministry of Transport (the Ministry) received from the Office of the Ombudsman (the Ombudsman). The Ombudsman advised that you had complained about the Ministry's decision on [s 9\(2\)\(a\)](#) [REDACTED] request for official information from November 2024. I have included background information below.

Background

On 25 November 2024, [s 9\(2\)\(a\)](#) [REDACTED] wrote to the Ministry requesting the following information under the Official Information Act 1982 (the Act):

- *“the FTE staff working on OR hours that officials have worked on the project Emergency Ocean Response Capability (Cook Strait) project from [the 2023/24 Budget](#) (this can be a rough estimate)*
- *the number of non-ministry people who have been consulted/asked for advice in the project*
- *a copy of documents - such as reports and briefings to ministers - relating to the project.”*

Your complaint

On 15 April 2025, the Ombudsman wrote to the Ministry advising of a complaint you had made about our decision to withhold the twelve documents under sections 9(2)(b)(ii), 9(2)(f)(iv), 9(2)(i) and 9(2)(j) of the Act.

The Ombudsman requested the Ministry review its decision.

On 23 April 2025, the Ministry advised the Ombudsman that the advice to which the above documents relate has now been considered by the Minister of Transport and was subsequently considered and confirmed at the Cabinet meeting dated 31 March 2025. We also advised that the Ministry and Maritime New Zealand were in the process of proactively releasing the information

that was in scope of your request. We further advised that the Ministry would provide a revised response to you once the proactive release was available.

Unfortunately, we have been unable to publish these documents on our website. Therefore, we are now releasing the documents that were withheld in our response from November 2024. In addition to this, we are releasing a further three documents which relate to the Detailed Business Case that are outside the scope of the initial request.

The document schedule attached as Annex 1 outlines how these documents have been treated under the Act. Information or full documents have been withheld or refused under the following sections of the Act:

- 9(2)(a) to protect the privacy of natural persons
- 9(2)(b)(ii) to protect information 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
- 9(2)(f)(iv) to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
- 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
- 9(2)(j) to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)
- 18(d) the information requested is or will soon be publicly available

With regard to the information withheld under Section 9 of the Act, we consider the reasons for withholding that information at this time are not outweighed by any public interest considerations that would make it desirable to make the information available.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz.

Nāku noa, nā



Natasha Rave
Manager, Resilience and Security

Annex 1: Document Schedule

Doc #	Date	Document Type	Title / Description	Decision on Release
1	N/A	Weekly Report Updates	Updates on the Status and Direction of Advice has been Included in Weekly Reports.	Released with some information withheld under section 9(2)(j).
2	16 October 2024	Officials Meeting Material	EORC One Pager – Minister Meeting	Released with some information withheld under section 9(2)(j).
3	October 2024	Notes	EORC Options for Sequencing Cab Paper	Released with some information withheld under sections 9(2)(b)(ii) and 9(2)(j).
4	31 October 2024	Briefing	OC241113 Emergency Ocean Response Capability - Draft IBC	Released with some information withheld under section 9(2)(a).
5	31 October 2024	Cabinet Paper (Draft)	OC241113 Emergency Ocean Response Capability (EORC) - Indicative Business Case - Cabinet Paper (Draft)	Released with some information withheld under sections 9(2)(b)(ii) and 9(2)(j).
6	31 October 2024	Indicative Business Case (Draft)	Emergency Ocean Response Capability (EORC) - Indicative Business Case (Draft)	Refused under section 18(d). The scope included the draft business case which had no material difference to the final version which can be found here: (refer to page 4) https://www.maritimenz.govt.nz/media/fqupowlk/f37338-eorc-final.pdf
7	31 October 2024	Indicative Business Case Executive Summary (Draft)	EORC DRAFT Indicative Business Case Executive Summary	Refused under section 18(d). The scope included the draft executive summary which had no material difference to the final version which can be found here: (refer to page 60) https://www.maritimenz.govt.nz/media/fqupowlk/f37338-eorc-final.pdf
8	13 November 2024	Briefing	OC241113 Emergency Ocean Response Capability - Indicative Business Case	Released with some information withheld under sections 9(2)(a), 9(2)(b)(ii) and 9(2)(j).
9	13 November 2024	Cabinet Paper (Final)	OC241113 Emergency Ocean Response Capability (EORC) - Indicative Business Case - Cabinet Paper (Final)	Released with some information withheld under sections 9(2)(b)(ii) and 9(2)(j).

Doc #	Date	Document Type	Title / Description	Decision on Release
10	13 November 2024	Cabinet Talking points	OC241113 - Emergency Ocean Response Capability - Indicative Business Case - Cabinet Committee Talking Points	Released with some information withheld under sections 9(2)(b)(ii) and 9(2)(j).
11	13 November 2024	Indicative Business Case (Final)	OC241113 Emergency Ocean Response Capability - Indicative Business Case	Refused under section 18(d). The final Indicative Business Case can be found here (refer to page 4) https://www.maritimenz.govt.nz/media/fqupowlk/f37338-eorc-final.pdf
12	13 November 2024	Indicative Business Case Executive Summary (Final)	OC241113 Emergency Ocean Response Capability - lbc Executive Summary	Refused under section 18(d). The final Indicative Business Case Executive Summary can be found here (refer to page 60) https://www.maritimenz.govt.nz/media/fqupowlk/f37338-eorc-final.pdf
Additional Documents				
13	N/A	Cabinet Paper	Emergency Ocean Response Capability – Detailed Business Case	Released with some information withheld under sections 9(2)(b)(ii), 9(2)(f)(iv), 9(2)(i) and 9(2)(j).
14	19 February 2025	Briefing	OC250056 Emergency Ocean Response Capability – Draft Detailed Business Case	Released with some information withheld under sections 9(2)(a), 9(2)(b)(ii), 9(2)(f)(iv), 9(2)(i) and 9(2)(j).
15	19 March 2025	Briefing	OC250056 Emergency Ocean Response Capability – Final Detailed Business Case	Released with some information withheld under sections 9(2)(a), 9(2)(i) and 9(2)(j).

Emergency Ocean Response Capability – Weekly updates

Transport Portfolio Weekly Report As at Wednesday 27 November 2024

Emergency Ocean Response Capability (EORC)

Following Cabinet's approval of the Indicative Business Case, we have started the next stages of work for the EORC project. The Ministry is preparing the Budget 2025 new initiative template and Maritime NZ will prepare the Detailed Business Case, which is due in March 2025.

Maritime NZ has also started negotiations with OMV to procure the *MMA Vision* as the interim solution. This process may take a few weeks to negotiate and confirm the contractual arrangements.

Maritime NZ will inform the Ministry and your Office when the contract is ready, so you can make an announcement.

Transport Portfolio Weekly Report As at Wednesday 6 November 2024

Emergency Ocean Response Capability (EORC) - Indicative Business Case

This paper will seek Cabinet agreement to progress a short-list of options to a Detailed Business Case (DBC) for consideration by Cabinet (noting the preparation of a Budget 25 bid contingent on Cabinet decisions of the DBC), and to use the tagged contingency funding from Budget 24 to procure an interim capability.

Progress Update:

The draft Cabinet paper is currently undergoing ministerial and agency consultation.

Ministerial consultation: Underway

To lodge: Thursday 14 November 2024

To Committee: Wednesday 20 November 2024 (ECO)

Transport Portfolio Weekly Report As at Wednesday 30 October 2024

Emergency Ocean Response Capability (EORC) - Indicative Business Case

This paper will seek Cabinet agreement to progress a short-list of options to a Detailed Business Case (DBC) for consideration by Cabinet (noting the preparation of a Budget 25 bid contingent on Cabinet decisions of the DBC), and to use the tagged contingency funding from Budget 24 to procure an interim capability.

Progress Update:

We have updated the IBC Cabinet paper as discussed with you, to include an option for Cabinet to utilise the Budget 24 tagged contingency for the immediate procurement of an interim capability while the business case process is completed.

Draft to Minister: Friday 1 November 2024

Ministerial consultation: Week commencing Monday 4 November 2024

To lodge: TBC

To Committee: TBC

Transport Portfolio Weekly Report As at Wednesday 23 October 2024

Emergency Ocean Response Capability (EORC) - Indicative Business Case

This paper will seek Cabinet agreement to progress a short-list of options to a Detailed Business Case (DBC) for consideration by Cabinet (noting the preparation of a Budget 25 bid contingent on Cabinet decisions of the DBC), and to use the tagged contingency funding from Budget 24 to procure an interim capability.

Progress Update:

We will update the IBC Cabinet paper as discussed with you, to include an option for Cabinet to utilise the Budget 24 tagged contingency for the immediate procurement of an interim capability while the business case process is completed.

Draft to Minister: Friday 25 October 2024

Ministerial consultation: Week commencing 29 October 2024

To lodge: 14 November 2024

To Committee: 20 November 2024

Transport Portfolio Weekly Report As at Wednesday 16 October 2024

Emergency Ocean Response Capability (EORC) - Indicative Business Case

This paper will seek Cabinet agreement to progress a short-list of options to a Detailed Business Case (DBC) for consideration by Cabinet (noting the preparation of a Budget 25 bid contingent on Cabinet decisions of the DBC), and to use the tagged contingency funding from Budget 24 to procure an interim capability.

Progress Update:

We will update the IBC Cabinet paper as discussed with you, to include an option for Cabinet to utilise the Budget 24 tagged contingency for the immediate procurement of an interim capability while the business case process is completed.

Draft to Minister: Week of Monday 21 October 2024

Ministerial consultation: TBC

To lodge: 14 November 2024

To Committee: 20 November 2024

Transport Portfolio Weekly Report As at Wednesday 9 October 2024

Emergency Ocean Response Capability (EORC) - Indicative Business Case

This paper will seek Cabinet agreement to progress a short-list of options to a Detailed Business Case (DBC) for consideration by Cabinet, and noting the preparation of a Budget 25 bid contingent on Cabinet decisions of the DBC.

Progress Update:

You are meeting with Ministry and MNZ officials on Wednesday 16 October 2024 to review the strategic and economic cases and to confirm the short-list of options recommended to progress to the DBC stage.

Draft to Minister: Week of Monday 21 October

Ministerial consultation: 7 – 14 November

To lodge: 14 November

To Committee: 20 November

Transport Portfolio Weekly Report As at Wednesday 2 October 2024

23 September 2024	Emergency Offshore Response Capability Officials to provide advice on appropriateness of current maritime penalties.	Friday 11 October 2024
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Transport Portfolio Weekly Report As at Wednesday 18 September 2024

Indicative Business Case – Emergency Ocean Response Capability (EORC)

This paper will seek Cabinet's approval of an indicative business case for the emergency ocean response capability and to proceed to the detailed business case planning stage. It will provide a short list of options to take forward to the detailed business case stage.

Progress Update: Maritime New Zealand is preparing the indicative business case in consultation with the Ministry. An early draft of the indicative business case has been provided to the Ministry that outlines the strategic and economic cases. The commercial and financial cases are currently being worked on.

The Ministry will be writing the Cabinet paper.

To Minister: TBC
To Iodge: TBC
To Committee: TBC

Transport Portfolio Weekly Report As at Wednesday 28 August 2024

Emergency Ocean Response Capability (EORC) business case

Officials from the Ministry and Maritime NZ (MNZ) met with Treasury to discuss the next steps in developing the EORC business case. The Risk Profile Assessment was rated as a high risk by Treasury's moderation panel. This rating was based on the long-list of options which included Crown procurement of a dedicated response vessel. High risk projects require a two-stage Better Business Case including four Gateway reviews, which would cost MNZ \$300,000 to complete (\$75,000 each). We have advised Treasury that the work completed to date on the strategic and economic cases has developed a short list focussing on contracting for services and ruling out direct Crown procurement of a vessel. As such, the project would likely shift to a moderate risk rating negating the requirement for multiple Gateway reviews. Treasury have invited us to complete the Indicative Business Case and then to re-submit a revised Risk Profile Assessment.

Next steps:

We will complete an Indicative Business Case and Cabinet paper by December 2024 as directed by the Budget financial recommendations.

Transport Portfolio Weekly Report As at Wednesday 14 August 2024

Emergency Ocean Response Capability (Cook Strait) business case

Treasury have reviewed the Risk Profile Assessment jointly submitted by the Ministry and Maritime NZ for the Emergency Ocean Response Capability (EORC) business case. Treasury's Investment Panel has confirmed this is a high-risk investment, and therefore the project must follow the two-stage Better Business Case process, which includes Gateway reviews.

The EORC will be included in the Minister of Finance's Quarterly Investment Report for the quarter ending 30 June 2024, which is due to be considered by the Expenditure and Regulatory Review Committee on 17 September 2024. We have been informed the recommendation in the Cabinet paper will be for this work to progress, with no additional recommendations.

Ministry and MNZ officials are meeting with Treasury next week to confirm the details of the process and Gateway reviews. It is likely that the extra steps will push out the timeline for the completion of the EORC business case (OC240697 refers).

Transport Portfolio Weekly Report

As at Wednesday 5 June 2024



Key priorities and highlights

Emerging issue for offshore towing capability

Maritime NZ has received \$600,000 for the business case development and subsequent procurement plan for an emergency ocean response capability for the Cook Strait. This would be designed to improve the resilience of our national surface transport network. Maritime NZ is working with the Ministry of Transport and technical experts to refresh and refine business case undertaken in 2023.

The issue that is now emerging, and that was strongly signalled through the budget bid, is that the last remaining offshore capable towage vessel in New Zealand waters, the *MMA Vision*, operated by OMV Group, is due to depart for Australia shortly for commercial reasons. This will leave New Zealand exposed to the risk of having no ocean-going emergency towage vessel on the New Zealand coast until an outcome from the upcoming business case has been decided and implemented. We believe there is a small window of opportunity to work with the OMV Group to negotiate a temporary arrangement for the *MMA Vision* to remain in New Zealand as a contingency emergency towage vessel in conjunction with its commercial activity until a more permanent solution can be advised on. However, this would require Ministerial decision to utilise a portion of s 9(2)(j) set aside in budget 2024/25 for emergency towage. Maritime NZ staff will seek to discuss this with the Minister of Transport.

Timeframe we are working to:

- Draft Cabinet paper and IBC to you: week of 21 October
- Agency consultation: 29 October – 1 November
- Ministerial consultation: 4-13 November
- To Lodge: 14 November
- To ECO: 20 November
- Drafting of the DBC, Cabinet paper, and Budget 25 bid to begin end of November, and to be finalised in Q1 2025
- Budget 25 bid to be contingent on Cabinet approval of DBC.

Definitions:

- *First-strike*: a vessel that can quickly get on scene to stabilise and hold a distressed vessel until a suitable towing vessel (ETV) can arrive on scene.
- *Second-strike*: a vessel (ETV) that can tow a distressed vessel to a place of safety. This vessel needs to arrive on scene within a reasonable timeframe, and therefore is not required to be locally based.
- *Single-strike*: a vessel that can provide both a stabilising and a towing capability. This vessel needs to be locally based to quickly get on scene of a distressed vessel.
- *ETV = emergency towage (capable) vessel*: a vessel that is designed to conduct a tow of a large ship in open-water conditions. These vessels are significantly larger than harbour tugs as the photo below shows.



M/V Shiling being towed into Wellington harbour by an ETV and accompanied by the two Wellington Harbour tugs (Photo credit: Carl van der Meulen)

Incidents and near misses:

MNZ has 20 records of incidents or near misses in the Wellington and Marlborough regions since 2010 (approx. 5,100 days):

- 16 are Cook Strait ferries
- 10 are current Cook Strait ferries
- 4 of these are near misses and therefore did not require an EORC response
- 2 are allisions (hitting wharves) and unlikely to require EORC response
- 1 was a fire
- 13 were grounding or loss of propulsion; no information as to type of EORC response

We do not have firm data on Cook Strait movements, for simple comparison purposes: 6x movements per day ≈ 30,600; 8x movements per day ≈ 40,800; 10x movements per day ≈ 51,000 movements over the period.

Problem statements:

1. There has been an increasing number of high-profile incidents requiring an emergency response in the Cook Strait.
2. Existing port-owned tugboats do not have the capability to respond to large vessels in distress in the Cook Strait.
3. Vessels of opportunity which have previously been relied on to tow large vessels in distress have left, or are leaving, New Zealand waters and cannot be relied on in the future.
4. A lack of suitable EORC in the Cook Strait increases the risk of environmental and economic damage, and potential loss of life at sea in the event of an emergency.

Investment objectives:

1. To enhance New Zealand's ability to prevent maritime incidents involving large vessels from escalating and increasing risk.
2. To meet reasonable public expectations regarding the provision of EORC in the Cook Strait.
3. To ensure that there is sufficient EORC capability to stabilise and/or tow vessels that encounter difficulties at sea within an appropriate timeframe.

Options discounted from the long list:

- Full national coverage – excessive in scale and outside scope
- Regulatory change only – unlikely to achieve outcomes; disproportionate; not financially viable for industry
- Sole-service delivery (a vessel that will **only** do emergency response) – no commercial incentives for industry
- Crown ownership of a dedicated vessel – no available vessels; no value for money
- Reliance on existing MNZ baselines

Short-list options in the IBC: (will require more detailed work in the DBC)

1. Status quo – required for comparative purposes
2. Do minimum – first-strike only; based locally (CAPEX(?) only)
3. Do minimum plus – first-strike only; based locally and on a commercial contract (CAPEX + OPEX)
4. Preferred option – first-strike based locally; second-strike based regionally
5. Ambitious option – single-strike based locally

Indicative costings:

We have very high-level indicative range of costings for the options that have been derived from targeted market soundings undertaken by MNZ in 2023. We are using the mid-points in the Cabinet paper.

s 9(2)(j)



Emergency Offshore Response Capability – Cabinet paper options

Officials have identified some options for the Cabinet paper should you wish to progress more quickly. We're seeking your direction on your preferred approach. The key choice is what the next stage should be for the first-strike capability.

Under all the options, the Cabinet paper would:

- a) Note the Indicative Business Case and that the preferred option is a local first-strike capability (stabilise and hold the vessel) and regional second-strike capability (tow the vessel)
- b) Note a Budget Bid 2025 for the first-strike capability will be developed [assumes an invitation into the process]
- c) Note that there is a risk that the one remaining regional second-strike capability, MMA Vision, will leave NZ waters around mid-2025
- d) Agree to an interim solution of using ^{s 9(2)(j)} [redacted] for a contract with OMV to operate MMA Vision in Cook Strait for 20 days per month at an ^{s 9(2)(b)(ii)} [redacted] [redacted]
- e) Note the intention to fund the second-strike capability through levy payments in the longer term
- f) Agree to announce the intended direction of travel (ie a two-strike approach) pending further work.

For the first-strike capability, you have choices about the recommendations for the next step, in addition to the Budget bid:

1. Complete the Detailed Business Case (DBC), followed by a RFI, and then a RFP should the Budget bid be agreed. This approach follows the Cabinet circular process and enables Cabinet to make a final decision about which option to progress before moving to an RFI. The current draft Cabinet paper is based on this approach.
2. Seek a decision in principle to the preferred option of a local first-strike capability and regional second-strike capability subject to the outcome of an RFI for the first-strike capability and Budget 2025 bid. This option would provide a stronger signal to the market for the RFI and would provide more detailed information for Budget decisions. The IBC would need to be more robust as Cabinet would not have the opportunity of further consideration of the DBC.
3. Progress the DBC and RFI in parallel. This would have the benefits of both consistency with the Cabinet circular and more information before Budget. However Maritime New Zealand has concerns about its ability to resource both concurrently and thinks that the RFI would be more useful than the DBC.

We will shape the Cabinet paper around your preferred approach but could also mention an alternative way ahead should you wish to test that with your colleagues.

31 October 2024

OC241113

Hon Simeon Brown**Minister of Transport**

EMERGENCY OCEAN RESPONSE CAPABILITY – INDICATIVE BUSINESS CASE

Purpose

To provide you with drafts of the Cabinet paper and Indicative Business Case (IBC) for the emergency ocean response capability for your review and to initiate Ministerial consultation.

Key points

- You are planning to take a Cabinet paper and IBC for investment in emergency ocean response capabilities to ECO on 20 November 2024. Drafts are attached for your review before Ministerial and agency consultation begins next week.
- We have presented a preferred option comprising a rapid response to stabilise incidents in the Cook Strait, followed by a dedicated towing capability that can respond within a reasonable timeframe. This option would be procured by Maritime NZ through contracts with commercial providers. You will be seeking approval to progress the preferred and a cheaper alternative option (first-strike only) to the detailed business case stage.
- We recommend that the public good component (the local first-strike vessel) is directly funded by the Crown, and the club good component (the regional second-strike vessel) is funded by maritime levy commencing after the next levy review in 2026/27. The Crown will need to bridge the funding gap for the next two financial years for this component.
- You will also be seeking Cabinet's approval to procure an interim solution using the tagged contingency provided in Budget 24. Since we met with you on Wednesday 30 October, OMV has informed Maritime NZ that the *MMA Vision* will be relocating to Australia for commercial work between the end of February and mid-April 2025, leaving a gap in coverage during this period.
- We received some updated costings from Maritime New Zealand this week so will be working with them over the coming days to check them. Regardless, they will remain indicative until the work on the DBC.

Next steps

- Maritime NZ have arranged for the Australian Maritime Safety Authority to complete an independent investment assurance review of the IBC in the week commencing 4 November.
- The Ministry will conduct agency consultation with Treasury, the Policy Advisory Group in DPMC, and MBIE in the week 4-8 November. Subject to your review, we ask that the office conducts Ministerial consultation concurrently and note the Minister of Finance is required to be consulted on Cabinet papers seeking new expenditure.
- In anticipation of Cabinet approval, Maritime NZ will commence a request for proposal procurement process for the technical advice and support required to complete the DBC. (This RFP will refer to business case support generally.) This will expedite the completion of the DBC and Budget 25 bid in the first quarter next year.
- We will provide final copies of the Cabinet paper and IBC to the office by midday on Tuesday 13 November to lodge for ECO on 20 November.

Ruth Fairhall
DCE Policy
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Hon Simeon Brown
Minister of Transport
 / /

Contacts

Name	Telephone	First contact
Ruth Fairhall, Deputy Chief Executive Policy	s 9(2)(a)	✓
Natasha Rave, Manager Resilience and Security		
Carl van der Meulen, Principal Adviser Resilience and Security		

In Confidence

Office of the Minister of Transport

Cabinet Economic Policy Committee

Emergency ocean response capability – Indicative Business Case**Proposal**

- 1 This paper seeks Cabinet's approval for two matters relating to investment in emergency ocean response capabilities (EORC).
 - 1.1 I am submitting an Indicative Business Case (IBC) to invest in EORC for Cabinet's consideration and seek approval to progress the preferred option to a Detailed Business Case (DBC).
 - 1.2 I seek approval to use the Budget 24 tagged contingency to procure an interim EORC solution while the DBC is completed.

Relation to government priorities

- 2 Through Budget 24, Cabinet directed the Ministry of Transport (the Ministry) and Maritime New Zealand (Maritime NZ) to develop a business case that considers options to improve New Zealand's maritime emergency ocean response capability, with a focus on the Cook Strait. This initiative would improve New Zealand's access to maritime response capabilities that can stop a stricken vessel from foundering on the coast, and/or tow it to safety.

Executive summary

- 3 There has been an increasing number of maritime incidents that have required the use of emergency ocean response capabilities. Access to these capabilities is diminishing, presenting a risk of avoidable consequences if a maritime incident escalates. The Cook Strait has the highest risk profile for New Zealand waters due to the high number of ship movements including passenger services, aging passenger vessels, and adverse environmental conditions (marine and weather related).
- 4 Cabinet invited me to report back with a business case that considers options to improve New Zealand's maritime emergency ocean response capabilities. Maritime NZ has completed an Indicative Business Case that identifies a preferred option. This option includes a local response capability that can stabilise and hold a stricken vessel, and a regional based capability that can tow a stricken vessel. I am seeking Cabinet's approval to progress the preferred option, and an alternative cheaper local response capability, to the Detailed Business Case stage.
- 5 There is a suitable towing vessel that spends around 20 days each month berthed alongside the wharf in Port Taranaki as a 'closed vessel'. I am seeking Cabinet's approval to use a Budget 24 tagged contingency for

Maritime NZ to enter a contract with the vessel's owners to base this vessel in the Cook Strait area when it would be a 'closed vessel', as an interim solution until the preferred option is in place.

Context

- 6 An emergency ocean response capability is required when a large commercial vessel loses the ability to navigate safely, or hold itself safely at anchor, and is therefore at risk of drifting or grounding. The consequences of not being able to respond before a stricken vessel succumbs to environmental conditions or grounds itself can include loss of life, environmental damage, and economic harm.
- 7 The primary purpose of this type of response capability is to either hold a vessel safely in place while it carries out repairs, or to tow it to a place of safety where it can then carry out repairs.
- 8 Serious maritime incidents with large commercial vessels are low probability, high consequence events. New Zealand's lack of permanent access to an emergency towage vessel (ETV), which is the key component of a timely and sufficient emergency ocean response capability, presents an ongoing risk.

Indicative business case for EORC

- 9 This section of the paper summarises the EORC IBC and outlines the preferred and alternative options for progression to the detailed business case stage of the Better Business Case (BBC) process.

Strategic case

- 10 There has been an increasing number of maritime incidents that have required the use of emergency ocean response capabilities, primarily delivered by an ETV. Several of these high-profile incidents have occurred in or around the Cook Strait. The Strait has the highest risk profile for New Zealand waters, due to the high number of ship movements including passenger services, aging passenger vessels, and adverse environmental conditions (marine and weather related).
- 11 Recent high profile incidents have raised the maritime industry and public expectations that the Crown needs to intervene in the procurement of emergency ocean response capabilities suitable for New Zealand.
- 12 New Zealand has very limited capability to stabilise or tow large vessels that encounter difficulties outside harbour limits. Responses to maritime incidents rely on 'vessels of opportunity' to stabilise or tow vessels to a place of safety. There are no ETVs permanently based in New Zealand that can provide timely EORC response to prevent incidents in the Cook Strait from escalating, or to support responses throughout New Zealand. Port owned tugboats in

Wellington and Picton are not suitable ETVs for stricken large commercial ships in typical Cook Strait conditions¹.

- 13 The lack of a suitable EORC increases the risk of significant environmental harm, economic costs, and potential loss of life at sea when there is an avoidable delay in responding to a maritime emergency. While access to a permanent EORC will improve maritime responses as well as minimise and mitigate the risk of harm, there will still be a residual risk due to the inherent operational limitations of any response vessel (for example location, operating conditions, time to move, time to travel to arrive on scene).
- 14 Maritime NZ has put significant effort into increasing its regulatory oversight including inspections of foreign flagged vessels and audits of New Zealand vessels. It has also conducted deep dive audits following the *Kaitaki* and *Aratere* Interislander incidents. However, these regulatory activities are not enough to eliminate the risk of future significant maritime incidents that would require an EORC response.
- 15 Furthermore, there are insufficient commercial drivers for the market to provide an enduring emergency ocean response capability, and there is a concern that existing capability will shortly become unavailable.

The IBC outlines three investment objectives

- 16 To achieve a value for money investment in EORC, the IBC has confirmed three investment objectives used to guide the development of options in the economic case. In order of priority, these are:
 - 16.1 To reduce the risk of a major maritime incident in the Cook Strait, and more broadly in New Zealand, leading to loss of life and/or damage to the environment.
 - 16.2 To ensure an EORC solution is capable of safely stabilising vessels in the Cook Strait and that there is access to a large towage vessel in adverse conditions on our coast.
 - 16.3 To ensure that an EORC solution can respond to an incident in the Cook Strait in a timely manner.

Economic case

- 17 The BBC process ensures options for EORC are properly scoped and analysed. The IBC assessed a long list option set against the critical success factors and the five dimensions of choice contained in Treasury's BBC guidance to ensure they achieve the investment objectives.

¹ [COMMERCIAL IN CONFIDENCE] s 9(2)(b)(ii)

The assessment discounted several options from the long list...

- 18 The assessment resulted in the following long list options being discounted from further analysis in the IBC.
 - 18.1 Full national coverage capability (a do maximum option): this would be excessive in scale and scope for the investment.
 - 18.2 Regulatory change only (for example requiring industry to procure EORC): this would not achieve the desired outcomes, would be disproportionate and would not be financially viable for industry.
 - 18.3 Sole service delivery: there is no incentive for the private sector to provide EORC capability on its own; any private EORC-only vessels would sit idle for extended periods of time at cost to the operator.
 - 18.4 Crown ownership and delivery: there are no vessels available for the Crown to operate EORC services directly; any Crown owned EORC-only vessel would also sit idle for extended periods of time at cost to the Crown.
 - 18.5 Reliance on baseline funding: Maritime NZ has insufficient baseline funding to pay for a sustained uplift in EORC services.

...and identified a short list for analysis

- 19 Three options (do minimum option, preferred option, more ambitious option) have been identified for consideration alongside the status quo (do nothing option). The short-listed options are
 - 19.1 **Option one (status quo).** Harbour tugs and vessels of opportunity are relied on to provide response capabilities to large vessels in distress in the Cook Strait.
 - 19.2 **Option two (do minimum) – local first-strike² capability.** A response capability located in Wellington or Picton that can rapidly deploy to stabilise and hold a large vessel in distress in the Cook Strait. Towing of a distressed vessel will rely on a vessel of opportunity.
 - 19.3 **Option three (preferred option) – local first-strike and regional second-strike³ capabilities.** This builds on option two with the addition of a regionally based ETV (for example in Port Taranaki) that can tow a vessel after it has been stabilised. This option also enables a timely towing capability around New Zealand's coastal waters.

² First-strike capability: a vessel that can quickly get on scene to stabilise and hold a distressed vessel until a suitable towing vessel (ETV) can arrive on scene.

³ Second-strike capability: a vessel (ETV) that can tow a distressed vessel to a place of safety. This vessel needs to arrive on scene within a reasonable timeframe, and therefore is not required to be locally based.

19.4 **Option four (more ambitious option) – local single-strike⁴ capability.** A response capability located in Wellington or Picton that can both stabilise and tow a large vessel in distress in the Cook Strait. This option also enables a timely towage capability around New Zealand’s coastal waters.

20 Table 1 provides a high-level analysis of the short-listed options, with indicative cost estimates for a 10-year investment period.

	Option One: Status quo	Option Two: Do minimum	Option Three: Preferred option	Option Four: More ambitious option
Rapid stabilise and hold capability	x	✓	✓	✓
Timely towage capability	x	x	✓	✓
Rapid towage capability	x	x	x	✓
Cost over 10 years ⁵	\$0	s 9(2)(i)	s 9(2)(i)	s 9(2)(i)

21 I am seeking approval to progress options two and three to the DBC stage.

22 I have identified Option Three: local first-strike and regional second-strike capabilities as the recommended preferred way forward. I have identified Option Two: local first-strike capability as an alternative, cheaper way forward.

Details of the preferred option

23 The preferred option ensures Maritime NZ will have access to agreed levels of response capabilities (e.g. minimum towing pull) within established timeframes (based on distances) and environmental conditions (weather and wave conditions) provided by commercial operators. This option will be delivered via two disparate components that together address all the investment objectives.

24 The first component is a locally based first-strike capability that will provide a rapid response to incidents in the Cook Strait, with the primary goal of assisting in stabilising a stricken vessel. This will prevent the situation from deteriorating to the point where a vessel needs to be abandoned (presenting risk to life) or grounding itself (causing environmental harm). Once a vessel is stabilised, the crew can then carry out repairs or arrange for a tow to a safe harbour.

⁴ Single-strike capability: a vessel that can provide both a stabilising and a towing capability. This vessel needs to be locally based to quickly get on scene of a distressed vessel.

⁵ The costings for options 2 and 3 are informed by the market soundings and adjusted for assumptions set out in the IBC. The costings for option 4 are taken from 2023 market soundings..

- 25 The frequency of Cook Strait passenger ferry movements, and the associated risk to life, is why the first-strike capability needs to be locally based in either Wellington or Picton.
- 26 The second component is a regionally based ETV. For the Cook Strait, the rapid response from the first-strike capability alleviates the need for this capability to be locally based. Commercial operators supporting the oil and gas industry in Taranaki, or potentially offshore wind farms, are the most likely providers of this capability.
- 27 A secondary benefit of the second-strike capability is enhancing access to ocean towing capability in New Zealand waters for commercial purposes, including for minor responses that do not require direct intervention from Maritime NZ.

Financial case

The indicative cost for option three is s 9(2)(i) over ten years

- 28 The indicative high-level cost estimates have been derived from targeted market soundings undertaken by Maritime NZ in 2023. The costings will be refined during the development of the DBC.
- 29 Both the first and second-strike capabilities will need to be placed on retainer via contracts with Maritime NZ to ensure they are available to deliver responses when requested. This contractual arrangement forms the cost to the Crown for these capabilities; direct costs incurred during a response are cost-recovered from the operator of the stricken vessel (usually through insurance cover).
- 30 Provision of the first-strike capability will likely require a commercial operator to upgrade an existing vessel that is operating in the Cook Strait area, resulting in a one-off cost to the Crown at the establishment of the contract.

31 s 9(2)(b)(ii), s 9(2)(j)

Funding sources

- 32 The first-strike component provides a public good and, in line with Treasury and OAG funding guidelines, should be funded directly by the Crown. This would be via a Vote Transport appropriation in Budget 25 and outyears.
- 33 The second-strike capability delivers a club good, which means there is justification to seek to recover the cost of this capability through the maritime levy. Maritime NZ's levies were recently reviewed and adjusted on 1 July 2024. The Crown may need to bridge the gap until the next levy review in 2026/27 unless a new levy were introduced earlier. The bridging will also be via a Vote Transport appropriation.

Implementation – the commercial and management cases

- 34 Pending Cabinet's approval, Maritime NZ will procure the capabilities from commercial providers in line with Government Procurement Rules. It is likely that a direct source approach will be required for the first-strike capability, with an open competitive process to procure the second-strike capability.
- 35 Maritime NZ has the capacity and capability to deliver the investment through the outlined contractual arrangements. The Ministry of Transport monitors Maritime NZ's delivery of Vote Transport appropriations.

Investment assurance

- 36 [THIS IS ARRANGED FOR WEEK COMMENCING 4 NOV] Independent investment assurance [will be] provided by the Australian Maritime Safety Authority (as they have experience with procuring emergency ocean response capabilities) and the Ministry of Business, Innovation, and Employment's (MBIE) procurement team.

An interim solution is available

- 37 Pending Cabinet's approval of the IBC, I intend to return in March with the DBC and to submit a Budget 2025 bid in parallel. I propose that we also progress an interim solution using the ^{s.9(2)(i)} contingency provided in Budget 2024 to mitigate the risk that we are facing today.

[COMMERCIAL IN CONFIDENCE] *There is a current opportunity to improve access to an existing ETV*

- 38 Maritime NZ have advised me of discussions they had with OMV, regarding the vessel *MMA Vision* that is currently operating in Taranaki. Maritime NZ used the *MMA Vision* to tow the self-propelled barge *Manahau* off the Westport beach in early September.
- 39 The *MMA Vision* spends around 10 days each month in commercial operations supporting the oil and gas industry in Taranaki and spends the remaining 20 days of the month as a 'closed ship' tied up alongside the wharf in New Plymouth. In this state, it requires at least six hours notice before it could leave the wharf and start moving to support a response as a vessel of opportunity.
- 40 OMV has indicated a willingness to enter a commercial contract with Maritime NZ to operate as a 'towage contingency capability' based in the Cook Strait for the 20 days each month when it would usually be a closed ship. The *MMA Vision* would then be available to Maritime NZ on a 30–60-minute notice to move, with a much shorter transit time to any responses in the Cook Strait. Initial indication from Maritime NZ is this arrangement would cost around

s 9(2)(b)(ii) . (This arrangement would not be in place while the *MMA Vision* is overseas in early 2025.⁶)

- 41 I think that we need to act now, in advance of final decisions on the DBC, while the *MMA Vision* is still in New Zealand. I recognise there are some risks with this proposal such as a perception we are pre-empting final decisions, and that other potential providers may challenge the decision to go directly to one provider. However, I consider these can be managed by our messaging and that we have an opportunity now that we need to seize.

I propose funding the interim solution through the Budget 24 tagged contingency

- 42 Budget 24 provided a tagged contingency of s 9(2)(j) for implementing the preferred option of the emergency ocean response capability business case (Initiative No. 16165). I was invited to report back to Cabinet by December 2024 upon completion of the business case at which point Cabinet could make decisions on whether to draw down funding for the preferred option or to re-evaluate how to improve New Zealand's emergency ocean response capability. Cabinet also agreed that the expiry date for the tagged contingency is 30 June 2025.
- 43 To enable implementation of the interim solution, I propose revisiting the purpose of the tagged contingency for extending its expiry date, and carrying it forward into 2025/26.

Financial implications

- 44 Total costs until the maritime levy is adjusted on 1 July 2027 are approximately s 9(2)(j) (dependent on implementation timeframes). Using the tagged contingency will leave a shortfall of s 9(2)(j) over the next two financial years. Ongoing costs to the Crown from 2027/28 will be around s 9(2)(j). The DBC will refine these indicative, high level costs.

Cost-of-living and other implications

- 45 This paper does not have any cost-of-living, legislative, human rights, or population implications for the.

Use of external resources

- 46 Maritime NZ used external consultants to prepare the IBC and will require further use of consultants to provide technical advice and to complete the DBC. The costs for this were provided for in Budget 24 (Initiative No. 15901).

Timeline and next steps

- 47 Subject to Cabinet agreement, I will submit a DBC in March 2025 to support a Budget 25 bid, as signalled in Treasury's quarterly investment reporting.

⁶ OMV has informed Maritime NZ that the *MMA Vision* will leave New Zealand waters between the end of February and mid-April 2025.

- 48 I propose directing the Ministry of Transport to prepare a Budget 25 bid that will be contingent on Cabinet approval of the DBC.

Consultation

- 49 [WILL OCCUR IN WEEK COMMENCING 4 NOV] The Ministry of Transport and Maritime NZ consulted with the Treasury, the Department of the Prime Minister and Cabinet, and MBIE.

Communications and proactive release

- 50 I plan on making an announcement if Cabinet agrees to the interim solution about the solution and intended direction of travel (i.e. the two strike approach) pending further work. The timing of the announcement will follow confirmation of the contract between Maritime NZ and OMV.
- 51 I do not plan to proactively release this Cabinet paper due to commercial sensitivities that may impact Maritime NZ's negotiating position.

Recommendations

The Minister of Transport recommends that the Committee:

- 1 note the Indicative Business Case and the preferred option is a local first-strike capability (to stabilise and hold a vessel) and regional second-strike capability (to tow a vessel), with an alternative option of a local first strike capability only;
- 2 invite the Minister of Transport to bring a Detailed Business Case about the preferred and alternative options to Cabinet by March 2025;
- 3 note a Budget Bid 2025 for the preferred option will be developed, contingent on Cabinet approval of the Detailed Business Case;
- 4 note that there is a risk that the one remaining regional second-strike capability, *MMA Vision*, will leave NZ waters around mid-2025;
- 5 agree to an interim solution of using the contingency of s 9(2)(j) for a contract with OMV to base the *MMA Vision* in the Cook Strait area for 20 days per month at an estimated s 9(2)(b)(ii);
- 6 note the intention to fund the second-strike capability through the maritime levy payments in the longer term; and
- 7 agree to announce the interim solution and intended direction of travel (i.e. the two strike approach) pending further work.

Hon Simeon Brown

Minister of Transport

Appendices

Indicative Business Case – New Zealand’s Emergency Ocean Response Capability

Executive Summary – New Zealand’s Emergency Ocean Response Capability

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

13 November 2024

OC241113

Hon Simeon Brown**Minister of Transport**

EMERGENCY OCEAN RESPONSE CAPABILITY – INDICATIVE BUSINESS CASE

Purpose

To provide you with the final version of the Cabinet paper and Indicative Business Case (IBC) for the emergency ocean response capability (EORC) for your review and lodgement for Cabinet Committee.

Key points

- You are taking a Cabinet paper and IBC for investment in EORC to EXP on 19 November 2024. You have previously reviewed the draft papers.
- Treasury has informed us (in-confidence) that the draft Budget 2025 invite letter includes the EORC permanent solution as an invited Budget bid. The Ministry will start developing the Budget 2025 bid once we receive the signed invitation letter from the Minister of Finance.

Summary of feedback

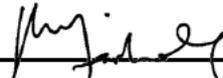
- We received limited feedback from agency and Ministerial consultation, which has been incorporated in the final version of the Cabinet paper and IBC. The most significant feedback related to the financial implications and financial recommendations.
- The Ministry of Business, Innovation, and Employment provided feedback seeking clearer consistencies for the proposed procurement of the preferred option. This has been updated in the IBC, and the corresponding section in the Cabinet paper was simplified to state that procurement will follow Government Procurement Rules.
- The Minister of Finance and Treasury provided similar comments seeking clarification of the financial implications section of the Cabinet paper. To align with the IBC, the Cabinet paper has been updated to show costs over a 10-year period s 9(2)(i) with a table showing a high-level estimate of how these costs will be split between Crown and levy funding.

- The Cabinet paper now includes an indicative cost for the interim solution of s 9(2)
(b)(ii) This factors in the contract with OMV commencing in December 2024 and finishing in December 2025, with entry into service of the preferred solution in January 2026.
- A new appropriation is required under Vote Transport to use the tagged contingency for the interim solution. The Cabinet paper seeks approval to establish and draw down funds from the tagged contingency into this new appropriation.
- The Detailed Business Case and Cabinet paper will refine timeframes, cost estimates, financial implications, and how costs will be allocated appropriately between Crown funding and maritime levies.

Recommendations

We recommend you:

1 **agree** to lodge the Cabinet paper for EXP on Tuesday 19 November 2024 Yes / No



 Ruth Fairhall
DCE Policy
 13 / November / 2024

Hon Simeon Brown
Minister of Transport
 / /

Contacts

Name	Telephone	First contact
Ruth Fairhall, Deputy Chief Executive Policy	s 9(2)(a)	✓
Natasha Rave, Manager Resilience and Security	 	
Carl van der Meulen, Principal Adviser Resilience and Security	 	

In Confidence

Office of the Minister of Transport

Cabinet Expenditure and Regulatory Review Committee

Emergency ocean response capability – Indicative Business Case**Proposal**

- 1 This paper seeks Cabinet’s approval for two matters relating to investment in emergency ocean response capabilities (EORC).
 - 1.1 I am submitting an Indicative Business Case (IBC) to invest in EORC for Cabinet’s consideration and seek approval to progress the preferred option to a Detailed Business Case (DBC).
 - 1.2 I seek approval to use funding from the *Emergency Ocean Response Capability for the Cook Strait - Tagged Contingency*, approved through Budget 2024, to procure an interim EORC solution.

Relation to government priorities

- 2 Through Budget 2024, Cabinet directed the Ministry of Transport (the Ministry) and Maritime New Zealand (Maritime NZ) to develop a business case that considers options to improve New Zealand’s maritime emergency ocean response capability, with a focus on the Cook Strait.

Executive summary

- 3 Recent high-profile maritime incidents have required the use of emergency ocean response capabilities. Access to these capabilities is diminishing, presenting a risk of avoidable consequences if a maritime incident escalates. The Cook Strait has the highest risk profile for New Zealand waters due to the high number of ship movements, ageing passenger vessels, and adverse environmental conditions.
- 4 Cabinet invited me to report back with a business case that considers options to improve New Zealand’s maritime emergency ocean response capabilities. Maritime NZ has completed an IBC that identifies a preferred option. This option includes a local response capability that can stabilise and hold a stricken vessel, and a regional based capability that can tow a stricken vessel. I am seeking Cabinet’s approval to progress the preferred option, and an alternative cheaper local response capability, to the DBC stage.
- 5 There is a suitable towing vessel that spends around 20 days each month berthed alongside the wharf in Port Taranaki as a ‘closed vessel’. I am seeking Cabinet’s approval for Maritime NZ to enter a contract with the vessel’s owners to base this vessel in the Cook Strait area when it would otherwise be a ‘closed vessel’, as an interim solution.

Context

- 6 An emergency ocean response capability is required when a large commercial vessel loses the ability to navigate safely, or hold itself safely at anchor, and is therefore at risk of drifting or grounding. The consequences of not being able to respond before a stricken vessel succumbs to environmental conditions or grounds itself can include loss of life, environmental damage, and economic harm.
- 7 The primary purpose of this type of response capability is to either hold a vessel safely in place while it carries out repairs, or to tow it to a place of safety where it can then carry out repairs.
- 8 Serious maritime incidents with large commercial vessels are low probability, high consequence events. New Zealand's lack of permanent access to an emergency towage vessel (ETV), which is the key component of a timely and sufficient emergency ocean response capability, presents an ongoing risk

Indicative business case for EORC

- 9 This section of the paper summarises the EORC IBC and outlines the preferred and alternative options for progression to the detailed business case stage of the Better Business Case (BBC) process.

Strategic case

- 10 Recent high-profile maritime incidents in and around the Cook Strait (such as *Kaitaki* loss of power in January 2023, *Shiling* loss of power in May 2023, *Aratere* grounding in June 2024, *Manahau* grounding in September 2024, and *Connemara* loss of power in September 2024) have required the use of EORC, primarily delivered by an ETV. The Cook Strait has the highest risk profile for New Zealand waters, due to the high number of ship movements including passenger services, ageing passenger vessels, and adverse marine and weather conditions.
- 11 These incidents have raised maritime industry and public expectations that the Crown needs to intervene in the procurement of emergency ocean response capabilities suitable for New Zealand.
- 12 New Zealand has very limited capability to stabilise or tow large vessels that encounter difficulties outside harbour limits. Responses to maritime incidents rely on 'vessels of opportunity' to stabilise or tow vessels to a place of safety. There are no ETVs permanently based in New Zealand that can provide timely EORC response to prevent incidents in the Cook Strait from escalating, or to support responses throughout New Zealand. Port owned tugboats in Wellington and Picton are not suitable ETVs for stricken large commercial ships in typical Cook Strait conditions¹.
- 13 The lack of a suitable EORC increases the risk of significant environmental harm, economic costs, and potential loss of life at sea when there is an avoidable delay in responding to a maritime emergency. While access to a permanent EORC will improve maritime responses as well as minimise and mitigate the risk of harm, there will still be a residual risk due to the inherent operational limitations of any response

¹ [COMMERCIAL IN CONFIDENCE] s 9(2)(b)(ii)

vessel (for example location, operating conditions, time to move, time to travel to arrive on scene).

- 14 Maritime NZ has put significant effort into increasing its regulatory oversight including inspections of foreign flagged vessels and audits of New Zealand vessels. It has also conducted deep dive audits following the *Kaitaki* and *Aratere* Interislander incidents. However, these regulatory activities are not enough to eliminate the risk of future significant maritime incidents that would require an EORC response.
- 15 Furthermore, there are insufficient commercial drivers for the market to provide an enduring emergency ocean response capability, and there is a concern that existing capability will shortly become unavailable.

The IBC outlines three investment objectives

- 16 To achieve a value for money investment in EORC, the IBC has confirmed three investment objectives used to guide the development of options in the economic case. In order of priority, these are:
 - 16.1 To reduce the risk of a major maritime incident in the Cook Strait, and more broadly in New Zealand, leading to loss of life and/or damage to the environment.
 - 16.2 To ensure an EORC solution is capable of safely stabilising vessels in the Cook Strait and that there is access to a large towage vessel in adverse conditions on our coast.
 - 16.3 To ensure that an EORC solution can respond to an incident in the Cook Strait in a timely manner.

Economic case

- 17 The IBC assessed a long-list option set against the critical success factors and the five dimensions of choice contained in Treasury's BBC guidance to ensure they achieve the investment objectives.

The assessment discounted several options from the long list...

- 18 The assessment resulted in the following long list options being discounted from further analysis in the IBC.
 - 18.1 Full national coverage capability (a do maximum option): this would be excessive in scale and scope for the investment.
 - 18.2 Regulatory change only (e.g. requiring industry to procure EORC): this would not achieve the desired outcomes, would be disproportionate, and would not be financially viable for industry.
 - 18.3 Sole service delivery: there is no incentive for the private sector to provide EORC capability on its own; any private EORC-only vessels would sit idle for extended periods of time at cost to the operator.
 - 18.4 Crown ownership and delivery: there are no vessels available for the Crown to operate EORC services directly; any Crown owned EORC-only vessel would also sit idle for extended periods of time at cost to the Crown.

18.5 Reliance on baseline funding: Maritime NZ has insufficient baseline funding to pay for a sustained uplift in EORC services.

...and identified a short list for analysis

- 19 Three options (do minimum option, preferred option, more ambitious option) have been identified for consideration alongside the status quo (do nothing option). The short-listed options are:
- 19.1 **Option one (status quo).** Harbour tugs and vessels of opportunity are relied on to provide response capabilities to large vessels in distress in the Cook Strait.
- 19.2 **Option two (do minimum) – local first-strike² capability.** A response capability located in Wellington or Picton that can rapidly deploy to stabilise and hold a large vessel in distress in the Cook Strait. Towing of a distressed vessel will rely on a vessel of opportunity.
- 19.3 **Option three (preferred option) – local first-strike and regional second-strike³ capabilities.** This builds on option two with the addition of a regionally based ETV (e.g. in Port Taranaki) that can tow a vessel after it has been stabilised. This option also enables a timely towing capability around New Zealand’s coastal waters.
- 19.4 **Option four (more ambitious option) – local single-strike⁴ capability.** A response capability located in Wellington or Picton that can both stabilise and tow a large vessel in distress in the Cook Strait. This option also enables a timely towing capability around New Zealand’s coastal waters.
- 20 A high-level analysis of the short-listed options, with indicative cost estimates for a 10-year investment period, is shown in the table below.

	Option One: Status quo	Option Two: Do minimum	Option Three: Preferred option	Option Four: More ambitious
Rapid stabilise and hold capability	x	✓	✓	✓
Timely towing capability	x	x	✓	✓
Rapid towing capability	x	x	x	✓
Cost over 10 years ⁵	\$0	s 9(2)(j)		

21 I am seeking approval to progress Options Two and Three to the DBC stage. I have identified Option Three: local first-strike and regional second-strike capabilities as the recommended preferred way forward. I have identified Option Two: local first-strike capability as an alternative, cheaper way forward.

² First-strike capability: a vessel that can quickly get on scene to stabilise and hold a distressed vessel until a suitable towing vessel (ETV) can arrive on scene.

³ Second-strike capability: a vessel (ETV) that can tow a distressed vessel to a place of safety. This vessel needs to arrive on scene within a reasonable timeframe, and therefore is not required to be locally based.

⁴ Single-strike capability: a vessel that can provide both a stabilising and a towing capability. This vessel needs to be locally based to quickly get on scene of a distressed vessel.

⁵ The costings for options 2 and 3 are informed by market soundings in 2023 and adjusted for assumptions set out in the IBC. The costings for option 4 are taken from the market soundings alone.

Details of the preferred option

- 22 The preferred option ensures Maritime NZ will have access to agreed levels of response capabilities (e.g. minimum towing pull) within established timeframes and environmental conditions provided by commercial operators. This option will be delivered via two components that together address all the investment objectives.
- 23 The first component is a locally based first-strike capability that will provide a rapid response to incidents in the Cook Strait, with the primary goal of stabilising a vessel. This will prevent the situation from deteriorating to the point where a vessel needs to be abandoned (presenting risk to life) or grounding itself (causing environmental harm). Once a vessel is stabilised, the crew can carry out repairs or arrange for a tow to a safe harbour.
- 24 The frequency of Cook Strait passenger ferry movements, and the associated risk to life, is why the first-strike capability needs to be locally based in either Wellington or Picton.
- 25 The second component is a regionally based ETV. For the Cook Strait, the rapid response from the first-strike capability alleviates the need for this capability to be locally based. Commercial operators supporting the oil and gas industry in Taranaki, or potentially offshore wind farms, are the most likely providers of this capability.
- 26 A secondary benefit of the second-strike capability is enhancing access to ocean towing capability in New Zealand waters for commercial purposes, including for minor responses that do not need intervention from Maritime NZ.

Financial case

The indicative cost for option three is s 9(2)(i) over ten years

- 27 The indicative high-level cost estimates have been derived from targeted market soundings undertaken by Maritime NZ in 2023. The costings will be refined during the development of the DBC
- 28 Both the first and second-strike capabilities will need to be placed on retainer via contracts with Maritime NZ to ensure they are available to deliver responses when requested. This contractual arrangement forms the cost to the Crown for these capabilities; direct costs incurred during a response are cost-recovered from the operator of the stricken vessel (usually through insurance cover).
- 29 Provision of the first-strike capability will likely require a commercial operator to upgrade an existing vessel that is operating in the Cook Strait area (for example the Seapatroller operated by Seaworks which patrols the Cable Protection Zone between Marlborough and Wellington), resulting in a one-off cost to the Crown at the establishment of the contract. The Seapatroller is a retired naval inshore patrol vessel built in 1985 that has been converted by Seaworks into a cable maintenance vessel. The key role this vessel undertakes essential maintenance activity for Transpower New Zealand's 40km long high-voltage submarine cables that run between Fighting Bay (Marlborough Sounds) to Oteranga Bay (Wellington). The Seapatroller operates 24/7, 365 days of the year in direct support to this national infrastructure.

30 s 9(2)(b)(ii), s 9(2)(j)

Funding sources

- 31 The first-strike component provides a public good and, in line with Treasury and OAG funding guidelines, could be funded directly by the Crown.
- 32 The second-strike capability delivers a club good, which means there is justification to seek to recover the cost of this capability through the maritime levy. Maritime NZ's levies were recently reviewed and adjusted on 1 July 2024. The Crown may need to bridge the gap until the next levy review in 2026/27 unless a new levy is introduced earlier.

Implementation – the commercial and management cases

- 33 Pending Cabinet's approval, Maritime NZ will procure the capabilities from commercial providers in line with Government Procurement Rules.
- 34 Maritime NZ has the capacity and capability to deliver the investment through the outlined contractual arrangements. The Ministry of Transport monitors Maritime NZ's delivery of Vote Transport appropriations.

Investment assurance

- 35 Independent investment assurance is being provided by the Australian Maritime Safety Authority (as they have experience with procuring emergency ocean response capabilities) and the Ministry of Business, Innovation, and Employment's (MBIE) procurement team.

An interim solution is available

- 36 Pending Cabinet's approval of the IBC, I intend to return in March with the DBC and to submit a Budget 2025 bid in parallel. To mitigate risks prior to a permanent solution being in place, I also propose that we progress an interim solution using the s 9(2)(j) *Emergency Ocean Response Capability for the Cook Strait - Tagged Contingency* provided in Budget 2024.

[COMMERCIAL IN CONFIDENCE] *There is a current opportunity to improve access to an existing ETV*

- 37 Maritime NZ have advised me of discussions they had with OMV, regarding the vessel *MMA Vision* that is currently operating in Taranaki. Maritime NZ used the *MMA Vision* to tow the self-propelled barge *Manahau* off Westport beach in early September 2024.
- 38 The *MMA Vision* spends around 10 days each month in commercial operations supporting the oil and gas industry in Taranaki and spends the remaining 20 days of the month as a 'closed ship' tied up at the wharf in New Plymouth. In this state, it requires approximately six hours' notice to be prepared and up to twelve hours transit time to the Cook Strait before it could support a response as a vessel of opportunity. When carrying out commercial operations, the *MMA Vision* can provide a slightly faster but still a delayed response to an event in the Cook Strait as it would likely require unloading commercial cargo either in Port Taranaki or at delivery destination (whichever is closest) prior to undertaking a response.
- 39 If the *MMA Vision* was located in the vicinity of the Cook Strait with the primary purpose of responding to maritime incidents during the 20 day period where it is not

commercially employed by OMV it would be capable of responding immediately and with local transit times (30 minutes to four hours) depending on sea conditions and where it was located in relation to the incident.

40 OMV has indicated a willingness to enter a commercial contract with Maritime NZ to operate as a 'towage contingency capability' based in the Cook Strait for the 20 days each month when it would usually be a closed ship. The *MMA Vision* would then be available to Maritime NZ on a 30–60-minute notice to move, with a much shorter transit time to any responses in the Cook Strait, reducing the response time to one-two hours. Initial indication from Maritime NZ is this arrangement would cost around s 9(2)(b)(ii). (This arrangement would not be in place while the *MMA Vision* is overseas in early 2025.⁶)

41 I think that we need to act now, in advance of final decisions on the DBC, while the *MMA Vision* is still in New Zealand.

I propose funding the interim solution through the Budget 2024 tagged contingency

42 Budget 2024 provided a tagged contingency of s 9(2)(i) operating funding to implement the preferred option of the emergency ocean response capability business case (Initiative No. 16165). I was invited to report back to Cabinet by December 2024 upon completion of the business case at which point Cabinet could make decisions on whether to draw down funding for the preferred option or to re-evaluate how to improve New Zealand's EORC. The expiry date for the tagged contingency is 30 June 2025.

43 I propose using the tagged contingency to fund the interim solution of retaining the *MMA Vision* in the Cook Strait until long term arrangements are confirmed. It is expected to cost up to s 9(2)(b)(ii) to fund the interim solution until December 2025, by which time I expect the long-term solution to be confirmed by Cabinet and ready to be implemented. Should the long-term solution be in place before December 2025, any residual funding would be used to offset its costs.

Financial implications

44 The indicative cost for the interim solution is s 9(2)(b)(ii). I propose s 9(2)(b)(ii) of the tagged contingency is appropriated in Vote Transport for this purpose. The remainder will be retained in the tagged contingency to support the preferred option.

45 High-level cost estimates over a 10-year period for the preferred option are s 9(2). A strict application of Treasury's principles would see this funded s 9(2)(i) from the Crown and s 9(2)(i) recovered through maritime levy funding. The DBC will refine these indicative high-level costs and how they will be allocated appropriately between Crown and maritime levies.

	10-year cost	Crown funded*	Levy funded*
First-strike	s 9(2)(j)		
Second-strike			
Total			

* High level estimate of funding split using Treasury's principles

⁶ OMV has informed Maritime NZ that the *MMA Vision* will leave New Zealand waters between the end of February and mid-April 2025.

Cost-of-living and other implications

- 46 This paper does not have any cost-of-living, legislative, human rights, or population implications.

Use of external resources

- 47 Maritime NZ used external consultants to prepare the IBC and will require further use of consultants to provide technical advice and to complete the DBC. The costs for this were provided for in Budget 2024.

Timeline and next steps

- 48 Subject to Cabinet agreement, I will submit a DBC in March 2025 to support a Budget 2025 bid, as signalled in Treasury's quarterly investment reporting.
- 49 The Ministry of Transport will prepare a Budget 2025 bid that will be contingent on Cabinet approval of the DBC.

Consultation

- 50 The Ministry of Transport and Maritime NZ consulted with the Treasury, the Department of the Prime Minister and Cabinet, and MBIE.

Communications and proactive release

- 51 Pending Cabinet's decisions, I plan on announcing the interim solution and the intended direction of travel (i.e. the two strike approach) pending further work.
- 52 I do not plan to proactively release this Cabinet paper due to commercial sensitivities that may impact Maritime NZ's negotiating position.

Recommendations

The Minister of Transport recommends that the Committee:

Business case approval

- 1 **note** that Budget 2024 directed the Ministry of Transport and Maritime NZ to develop a business case that considers options to improve New Zealand's maritime emergency ocean response capability (EORC), specifically our ability to stabilise and/or tow vessels that encounter difficulties at sea;
- 2 **approve** the Indicative Business Case;
- 3 **approve** the short-list of options to be progressed for detailed analysis at the Detailed Business Case stage;
- 4 **direct** the Minister of Transport to bring a Detailed Business Case about the preferred and alternative options to Cabinet by March 2025;
- 5 **note** a Budget Bid 2025 for the preferred option will be developed, contingent on Cabinet approval of the Detailed Business Case;

IN CONFIDENCE

6 **note** the intention to fund the second-strike capability through maritime levy payments in the longer term;

Procuring an interim solution

7 **note** that there is a risk that the one remaining regional second-strike capability, *MMA Vision*, will leave NZ waters around mid-2025;

8 **note** that an opportunity exists to mitigate this risk in advance of Cabinet’s consideration of a Detailed Business Case through the procurement of an interim solution;

9 **note** that through Budget 2024 Cabinet established a tagged operating contingency “Emergency Ocean Response Capability for the Cook Strait – Tagged Contingency” associated with Vote Transport to implement the preferred option of the EORC business case;

	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Emergency Ocean Response Capability for the Cook Strait - Tagged Contingency	s 9(2)(i)	0	0	0	0

10 **agree** to expand the scope of the tagged contingency (as detailed below);

Tagged contingency description	Scope
Current: Emergency Ocean Response Capability for the Cook Strait	To provide for implementing the preferred option of the ‘Emergency Ocean Response Capability’ business case
Proposed: Emergency Ocean Response Capability for the Cook Strait	To provide for initiatives that improve New Zealand’s maritime emergency ocean response capability (i.e. the ability to stabilise and/or tow vessels that encounter difficulties at sea) for the Cook Strait

11 **agree** to provide funding of s 9(2)(i) from the tagged contingency for the interim solution (described in paragraphs 37-39) in advance of final decisions on the Detailed Business Case;

12 **agree** to establish the following new appropriation:

Vote	Appropriation Minister	Appropriation Administrator
Transport	Minister for Transport	Ministry of Transport

Title	Type	Scope
Emergency Ocean Response Capability	Non- Departmental Other Expenses	This appropriation is limited to providing funding to Maritime New Zealand for emergency ocean response capability.

13 **approve** the following changes to appropriations to provide for the decision in recommendation 11 above, with a corresponding impact on the operating balance and net debt:

\$m – increase/(decrease)

IN CONFIDENCE

	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Vote Transport Non-Departmental Other Expense: Emergency Ocean Response Capability	s 9(2)(j)		0	0	0

14 **agree** that the expenses incurred under recommendation 13 above be charged against the *Emergency Ocean Response Capability for the Cook Strait – Tagged Contingency* described in recommendation 9 above;

15 **note** that, following the adjustment detailed in recommendation 13 above, the remaining balances and indicative phasing of the tagged operating contingencies described in recommendation 9 above will be:

	\$m				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Emergency Ocean Response Capability for the Cook Strait - Tagged Contingency	0	s 9(2)(j)	0	0	0

16 **agree** that the tagged operating contingency described in recommendation 9 above will expire on 30 June 2026;

17 **agree** that the proposed changes to appropriations for 2024/25 above be included in the 2024/25 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

18 **agree**, in principle, that any funding in the “Emergency Ocean Response Capability” that remains unspent at 30 June 2025 be transferred to 2025/26;

19 **authorise** the Minister of Finance and the Minister of Transport jointly to agree the final amount to be transferred following completion of the Ministry of Transport’s 2024/25 audited financial statements;

20 **note** Maritime NZ will immediately enter contract negotiations with OMV to procure the interim solution;

21 **agree**, subject to recommendations 9 and 10, that the Minister of Transport and Minister of Finance can approve changes to the use of the tagged contingency to procure the interim solution within the repurposed scope;

22 **agree** to announce the interim solution and intended direction of travel (i.e. the two strike approach) pending further work.

Authorised for lodgement

Hon Simeon Brown

Minister of Transport

Appendices

Indicative Business Case – New Zealand’s Emergency Ocean Response Capability

Executive Summary – New Zealand’s Emergency Ocean Response Capability

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OFFICIAL INFORMATION ACT 1982



Cabinet Committee Background Information and Talking Points

Cabinet Committee: *Cabinet Expenditure and Regulatory Review Committee (DEV)*

Paper Title: Emergency Ocean Response Capability – Indicative Business Case

Portfolio: Transport

Officials Attending: (if permitted)

- Ruth Fairhall, DCE Policy, Ministry of Transport
- Graham MacLean, DCE, Response Security and Safety Services, Maritime NZ
- Dylan Page, Chief Advisor - Response Security and Safety Services, Maritime NZ
- Natasha Rave, Manager, Resilience and Security, Ministry of Transport

Introduction

- Today, I am seeking Cabinet's approval on two matters relating to investment in emergency ocean response capabilities.
 - Firstly, I am submitting an Indicative Business Case for Cabinet's consideration and approval to progress the preferred and alternative options to the Detailed Business Case stage.
 - Secondly, I am seeking approval to invest in an interim solution while the Better Business Case process is completed, and a permanent solution is implemented.

Context

- As we are all aware, there has been a series of high-profile maritime incidents in and around the Cook Strait in recent years, notably several of these incidents involved Cook Strait ferries. While these types of incidents are low probability events, they can result in high consequences to life and the environment.
- Through Budget 2024, this Government has sought to address this risk by directing officials to prepare a business case for investment in emergency ocean response capabilities. We also made provision to implement a response capability in this Financial Year by including a tagged operational contingency in Budget 2024.
- The recent incidents have also raised the expectations of the maritime industry and the public that the Crown should intervene and procure emergency ocean response capabilities suitable for New Zealand.

Indicative business case

- The Indicative Business Case considered a short list of four options: Option One – do nothing; Option Two – do minimum; Option Three – the preferred option; Option Four – more ambitious.

- I have identified Option Three as the preferred option, with Option Two as an alternative cheaper way forward. I am seeking approval for both options to be progressed to the Detailed Business Case stage as required by Cabinet for investment of this nature.

Preferred option

- The preferred option comprises two components:
 - The first component is a local 'first-strike' capability based near the Cook Strait. This would be a vessel that can quickly reach a stricken vessel in the Cook Strait and assist in stabilising it so that it does not run aground or founder.
 - The second component is a regional 'second-strike' emergency towage capability. This is a vessel that can tow a stabilised vessel to a safe harbour. This option also enables a timely towage capability around the rest of New Zealand's coastal waters.
- The alternative cheaper solution comprises solely of a local first-strike capability based near the Cook Strait. This capability would only be sufficient to stabilise a distressed vessel. Towing a stabilised vessel will rely on available vessels of opportunity, which may need to come from overseas.
- To achieve value for money, these capabilities will be procured through contracts by Maritime NZ with commercial providers. The Cabinet paper provides an example of how the vessel that is contracted by Transpower to patrol the Cook Strait Cable could be an option to deliver the first-strike capability.
- I ask Cabinet to note that this has been included as an example only, and that I have directed officials to ensure that Government Procurement Rules are adhered to for all commercial negotiations.
- s 9(2)(b)(ii), s 9(2)(j)
- The cost estimates are based on very limited market soundings undertaken by Maritime NZ in 2023 following the *Kaitaki* loss of power incident. The costs will be refined during the development of the Detailed Business Case and Budget 2025 bid.

Interim solution

- However, we cannot wait for the full Better Business Case process to be completed; the recent incident with the *Connemara* ferry was a reminder of the gap in our ability to quickly respond to incidents in the Cook Strait. While the Wellington Harbour tugs were able to respond in that situation, it was at the extreme end of their operating limits. We also face a situation where the closest towing capability, the *MMA Vision* based in New Plymouth, is likely to leave New Zealand's waters in the middle of next year.
- Last week I met with the Chief Executives of Greater Wellington Regional Council and CentrePort, where they have again expressed concerns about perceived lack of Government action to address this risk.
- We put aside funds in Budget 2024 as an operational tagged contingency for emergency ocean response capabilities. My advice is that we need to use these funds now to secure an interim solution while the business case process is completed. This

will demonstrate action by this Government, and signal that a permanent solution will be implemented.

- The paper outlines how we can make arrangements for the *MMA Vision* to base itself in the Cook Strait – most likely in Wellington Harbour – when it is not conducting commercial operations in support of the oil and gas industry in Taranaki.
- While this is a part-time solution, and there will be a gap in when the *MMA Vision* is available, it is a significant improvement to the current situation.
- Currently the *MMA Vision* could take 12-18 hours to respond to a Cook Strait incident from New Plymouth. This delayed response time significantly increases the risk of a powerless ferry from coming aground on the coastline. Implementing the interim solution would reduce the response time to 1-2 hours.
- This reduced response time justifies using the tagged contingency to procure the proposed interim solution.
- Utilising the tagged contingency will require the establishment of a new appropriation within Vote Transport; this is why there are several technical financial recommendations in the Cabinet paper. These have been jointly prepared by Ministry of Transport, Maritime NZ, and Treasury officials.

Next steps

- With Cabinet's approval, officials will commence with the Detailed Business Case. I will then return to Cabinet by March 2025, to submit the Detailed Business Case. In parallel, Transport officials will develop a Budget 2025 bid.
- With Cabinet approval, Maritime NZ will procure the interim solution, which will be in place until the Detailed Business Case is completed and final decisions are made and implemented.

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BUDGET SENSITIVE**In Confidence**

Office of the Minister of Transport

Cabinet Expenditure and Regulatory Review Committee

Emergency Ocean Response Capability – Detailed Business Case**Proposal**

- 1 This paper provides Cabinet a Detailed Business Case (DBC) relating to investment in emergency ocean response capabilities (EORC) with a focus on the Cook Strait. I am proposing Cabinet extends an interim solution for the Cook Strait while officials undertake public consultation on establishing levies to pay for the recommended option of a first-strike and second-strike EORC.

Relation to government priorities

- 2 Through Budget 2024, Cabinet directed the Ministry of Transport (the Ministry) and Maritime New Zealand (Maritime NZ) to develop a business case that considers options to improve New Zealand's maritime emergency ocean response capability, with a focus on the Cook Strait.

Executive Summary

- 3 [COMMERCIAL IN CONFIDENCE] Following consideration of an Indicative Business Case (IBC) in November 2024 (EXP-24-MIN-0067 refers), Cabinet directed the EORC progress to the DBC stage. A Budget Bid 2025 was submitted contingent on Cabinet approval of the DBC. Cabinet also directed Maritime NZ to procure the services of the vessel *MMA Vision* as an interim solution from December 2024 to December 2025 while the DBC is completed.
- 4 The DBC has been completed and recommends a two-strike solution is implemented with full costs underwritten by the Crown via Budget 2025. The DBC argues that the preferred two-strike option provides the most value to New Zealand, as it provides national coverage from a second-strike (towing) capability in addition to first-strike (stabilisation) capability in the Cook Strait.
- 5 However, while the economic case shows national benefit from the preferred option, the strategic, economic, and financial cases collectively do not present a convincing case for direct Crown investment in EORC. In particular, the financial case contains a significant cost escalation compared to the high-level indicative costs presented to Cabinet at the IBC stage. On a purely value-for-money basis, sticking with the status quo would be appropriate.
- 6 I am seeking Cabinet's approval to use the residual Budget 2024 tagged contingency to extend the duration of the interim solution until June 2027. Alongside this, I am seeking Cabinet's agreement to consult on the establishment of EORC specific levies to defray costs to the Crown on implementing the DBC's preferred option.

Previous Cabinet decisions

- 7 Minister Brown brought an Indicative Business Case (IBC) to Cabinet in November 2024. Cabinet directed the Minister of Transport to bring a Detailed Business Case (DBC) on two short-listed options by March 2025.
- 8 Cabinet also made the following decisions (EXP-24-MIN-0067 refers).
 - 8.1 Cabinet agreed to provide funding from the 'Emergency Ocean Response Capability for the Cook Strait – Tagged Contingency' for Maritime NZ to procure an interim solution in advance of final decisions on the DBC.
 - 8.2 Cabinet noted a Budget Bid 2025 for the preferred option will be developed, contingent on Cabinet approval of the DBC.
 - 8.3 Cabinet directed the Ministry to engage with the New Zealand Defence Force (NZDF) to ensure there is no duplication between any related procurement processes.
- 9 In late 2024 Cabinet agreed a National Risk and Resilience Framework to ensure government is being strategic and proactive in our efforts to manage risks and build resilience to the biggest hazards and national security threats to New Zealand (CBC-24-MIN-0112 refers). While a major transport accident is included as one of the 33 National Risks on the National Risk Register, I am cognisant of prioritising investment for maximum impact, reducing risk where we can, and pursuing economic growth objectives.

Short-listed options from the IBC

- 10 The preferred option identified at the IBC stage was a two-strike solution. This would comprise a locally based (in the Cook Strait area) first-strike capability dedicated to quickly reaching and stabilising a stricken vessel in the Cook Strait, and a regionally based (for example, Port Taranaki) second-strike capability that could tow any stricken vessel in New Zealand back to port. The cheaper alternative option identified in the IBC would only comprise the locally based first-strike capability in the Cook Strait area.
- 11 EORC solutions would be procured by Maritime NZ as a service by entering into retainer contracts with commercial providers. EORC providers would use their vessels to undertake commercial activities (to defray Crown costs) but be available for response activities if required. The Crown would not directly purchase or own an EORC vessel. Accordingly, the Budget Bid 2025 has been submitted as operating expenditure (OPEX) only.

Engagement with NZDF

- 12 Maritime NZ have engaged with NZDF and confirm that there are neither existing EORC capabilities in NZDF nor duplication with planned NZDF procurement processes.

Detailed business case for EORC

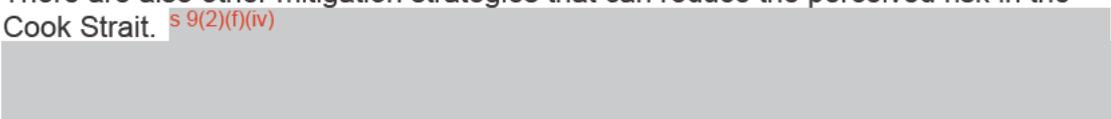
- 13 The DBC considered the short-listed options from the IBC and proposes implementing the preferred option of a two-strike solution. The DBC proposes the full

costs are underwritten by the Crown via Budget 2025. Where costs to the Crown are defrayed (by levy or other commercial activities), unspent money would be returned to the centre.

Strategic case

- 14 The DBC confirms the findings from the IBC that the potential lack of permanently available EORC in New Zealand presents a risk that should be addressed. The strategic case outlines this risk through four problem statements:
 - 14.1 The Cook Strait's unique constraints mean it presents a higher risk of maritime incidents requiring an emergency response.
 - 14.2 There are no vessels permanently based in New Zealand that have the capability to respond effectively to large vessels in distress.
 - 14.3 Larger, more capable vessels of opportunity which have previously been relied on to tow vessels in distress have left, or are leaving, New Zealand waters and cannot be relied upon in the future.
 - 14.4 A lack of available EORC increases the risk of environmental and economic damage, and potential loss of life at sea in the event of an emergency, especially but not exclusively in the Cook Strait.
- 15 The strategic case notes there were 23 maritime incidents over the last five years where ready access to EORC may have supported the response. However, all these incidents were resolved with existing capabilities and vessels of opportunity, with most occurring outside the Cook Strait area.
- 16 There were several notable incidents in the Cook Strait area, including the *Kaitaki* loss of power (January 2023), *Shiling* loss of power (April 2023), *Aratere* grounding (June 2024), and *Connemara* loss of power (September 2024).
- 17 The *Connemara* incident is the only clear example that a Cook Strait based first-strike capability would have improved the response. For the *Kaitaki* and *Shiling* incidents, if the anchors had not held, it is unclear whether a first-strike capability would have arrived on scene and been able to secure a connection before the vessels grounded. However, if a connection could have been made between the *Kaitaki* and a first-strike capability, this would have provided more assurance for the response.

Inherent EORC limitations and other mitigation strategies

- 18 The examples demonstrate the inherent limitation of EORC solutions – they must be based close enough with a short enough activation time, and be capable enough, to provide a successful response to a vessel that requires assistance before the situation escalates to a grounding or similar outcome.
- 19 There are also other mitigation strategies that can reduce the perceived risk in the Cook Strait. ^{s 9(2)(f)(iv)}

- 20 While the current Cook Strait ferries are safe and Maritime NZ has conducted deep dive audits into operators as part of its regulatory oversight role, new or replacement

ferries will be built to more recent standards than the current fleet. New ferries would be expected to feature Safe-Return-to-Harbour capabilities and other enhanced safety measures. This will reduce the risk of mechanical breakdowns requiring EORC responses and improve the overall safety of Cook Strait ferry operations.

- 21 Large commercial vessels and passenger vessels are required to comply with the requirements of the International Convention for the Safety of Life at Sea (SOLAS), which includes provision for life-saving appliances and arrangements. On average, globally 89 cargo vessels sink each year (out of the roughly 60,000 cargo vessels operating), and there have been 109 events that have resulted in fatalities globally over the past 24 years. Globally, on average, there are 0.8 incidents each year resulting in fatalities of an event involving a cargo vessel, which demonstrates the effectiveness of the SOLAS requirements.

Economic case

- 22 The economic case was informed by independent technical analysis, refined cost analysis, and a Request for Information process to test the options with potential operators, users, and stakeholders. The options were analysed using an actuarial risk analysis methodology and updated costings from market engagement. The economic case argues that the preferred two-strike option provides the most value to New Zealand, as it provides national coverage from a second-strike (towing) capability.
- 23 When considering the Cook Strait alone, the DBC finds that neither short-listed option would on average justify their procurement and operating costs through risk reductions when compared to the status quo. This is because the likelihood of a severe event occurring that causes significant economic damage or risk to human life and requires EORC is very small. When considering the options from a national impact, the DBC argues that having access to a second-strike capability will provide positive benefits for most scenarios. This is derived from the faster response time (usually within one day) compared to a five-day response time if a second-strike capability comes from overseas. The primary benefit is the reduction of freight disruptions across New Zealand waters.
- 24 My officials at the Ministry have concerns about aspects of the economic analysis for the preferred national two-strike solution. The analysis shows the primary benefit is in reducing delays in freight disruptions, which is not one of the factors of the strategic case. The Ministry also does not support the application to the extreme top 1% of events, which result in the full loss of a vessel. These events have already escalated to the most severe outcome and are therefore outside the expectation of EORC to provide stabilising or towing capabilities.

Implementation (commercial and management cases)

- 25 The DBC provides a comprehensive commercial and management case to outline how the preferred option would be implemented. This would see Maritime NZ enter into two contracts with commercial providers to provide the first-strike and second-strike capabilities.

- 26 s 9(2)(i), s 9(2)(j)

27 Maritime NZ will use independent advice on technical specifications to establish the minimum and preferred levels of capability required for each vessel. As each vessel has distinct capabilities, Maritime NZ cannot set exact requirements. The procurement process will also need to take into account the availability and feasibility of commercial providers to conduct their own commercial activities to defray total costs of the contracted EORC services.

Implementation of the interim solution

28 [COMMERCIAL IN CONFIDENCE] s 9(2)(i), s 9(2)(j)
[REDACTED]
[REDACTED] The interim solution will be available from late April 2025.

Financial case

29 Maritime NZ completed a Request for Information (RFI) process with stakeholders to refine costs for the DBC. The estimated cost for the preferred solution (including 30% contingency) is s 9(2)(j) for the period 2025 to 2036. This includes s 9(2)(j) for the first-strike and s 9(2)(j) for the second strike capabilities.

30 While the DBC provides options to defray costs to the Crown, Maritime NZ's preference is for the full costs to be underwritten by the Crown via full funding in Budget 2025. This is a significant escalation on the high-level indicative costs provided to Cabinet in November 2024 and submitted in the Budget Bid 2025 (the indicative costs to the Crown were around s 9(2)(j) over 10 years).

Funding via EORC specific levies

31 The DBC explores options to defray costs to the Crown via the introduction of EORC specific levies. s 9(2)(i)(iv)

32 [REDACTED]

33 This table shows the cost profile out to FY 2035/36 for the DBC preferred option, with implementation of EORC specific levies to defray costs to the Crown.

B U D G E T S E N S I T I V E

	Cost to Crown (new)	Cost to levy payers (new)	Total
Procurement costs	s 9(2)(f)(iv), s 9(2)(j)		
Personnel costs			
First-strike costs			
Second-strike costs			
Total funding required			

Consultation on levies

34 Under the Maritime Transport Act 1994, I am required to consult before making regulations providing to the payment of maritime levies. The Act also limits the payment of maritime levies to ships entering New Zealand ports or operating in New Zealand waters. Further policy advice will be required to test the legislative ability to establish EORC specific levies.

Investment assurance

35 Independent investment assurance of the DBC has been provided by the Australian Maritime Safety Authority (as they have experience with procuring emergency ocean response capabilities) and the Ministry of Business, Innovation, and Employment’s (MBIE) procurement team.

Options and an alternative way forward

36 I am not convinced that the DBC supports direct Crown investment in EORC, either in full or to underwrite costs until new EORC specific levies are established. Cabinet directed the business case to focus on the Cook Strait, which the DBC does not explicitly support. While the economic case indicates there is benefit in a national solution, I note the benefit is primarily enjoyed by commercial shipping in the reduction of freight disruptions.

37 Furthermore, the international data in the economic case shows the very low probability of incidents occurring. The tangible outcome described in the economic case is that a towing vessel could arrive on scene in one day, compared to five days if it must come from Australia.

38 In addition to the options of approving the DBC’s recommendation or sticking with the status quo (a do nothing option), officials have identified an alternative option for Cabinet to consider. The three options for consideration are:

38.1 **Alternative option: extending the interim solution while advice and consultation on EORC specific levies is conducted.** If Cabinet wishes to proceed with the procurement of EORC solutions on a predominately user-pays basis, then further policy advice on the appropriateness and requirements for EORC specific levies, as well as public consultation to test the willingness of users (public and industry) to pay a levy, will need to be conducted. There will still be costs to the Crown to procure a permanent EORC solution on an ongoing basis. Officials have not completed a specific value for money analysis for extending the interim solution.

38.2 **Sticking with the status quo.** This has no costs to the Crown and may lead to degradation in the ongoing availability of EORC. We will be relying on the other mitigation strategies to reduce risk in the Cook Strait. This would not alter Cabinet’s decision to procure an interim solution until December 2025.

38.3 **Progressing with the DBC's preferred option.** This will provide the benefit of ensuring New Zealand secures ongoing access to EORC on a national basis. This option seeks the full costs of s 9(2)(j) to be underwritten by the Crown via Budget 2025. However, even with the proposed phasing and other funding sources outlined in the DBC, this will have an estimated cost to the Crown of s 9(2)(j) to 2035/36.

39 I recommend Cabinet approves the alternative option and extends the procurement of an interim solution while advice and consultation on EORC specific levies is conducted.

Next steps

40 Should Cabinet agree to my preferred approach, then I will direct the Ministry of Transport to prepare policy advice on EORC specific levies. This would include advice on any legislative or regulatory amendments, consultation requirements, potential sequencing, and if required, in confidence discussions with key targeted stakeholders (such as Cook Strait ferry operators).

41 I note Maritime NZ's advice that the RFP process outlined in the DBC should be completed first to refine the total costs, before there is public consultation on EORC specific levies. However, I consider the broader policy questions and testing willingness of users to pay EORC specific levies should be addressed first. An RFP process can be sequenced to refine the costs before consultation on any actual levy rates is formed by this consultation.

42 I propose coming back to Cabinet with advice on EORC specific levies, timeframes and sequencing of RFP and consultation, and a draft public consultation paper in July 2025. This would enable any necessary Budget 2026 bid (e.g. changes to the interim solution) to be considered.

43 [COMMERCIAL IN CONFIDENCE] s 9(2)(i), s 9(2)(j)

Financial Implications

44 There are no immediate financial implications from my recommended way forward. Costs of policy advice and public consultation will be met from within the Ministry's baseline, and the extension of the interim solution will be met from the tagged contingency established in Budget 2024. Cabinet will need to approve the technical adjustments to appropriations as contained in the recommendations.

45 There may be future costs to the Crown to procure a permanent ongoing EORC, even with the establishment of EORC specific levies. The public consultation is expected to clarify what these costs could be, and the split between Crown and levy funding.

Cost-of-living and other implications

46 This paper does not have any cost-of-living, legislative, human rights, or population implications.

Use of external resources

47 Maritime NZ used external consultants to prepare the IBC and DBC. The costs for these were provided for in Budget 2024.

Consultation

48 The Ministry has consulted with Treasury, MBIE, Maritime NZ, and the Department of the Prime Minister and Cabinet.

Proactive Release and communications

49 If Cabinet agrees to my proposed approach, I intend to announce the interim solution and intended direction of travel. I will proactively release this paper, the November 2024 IBC Cabinet paper, the IBC, DBC, executive summaries, and related briefings on the Ministry of Transport website, with redactions of commercial and sensitive information.

Recommendations

The Minister of Transport recommends that the Committee:

- 1 **note** that in November 2024, Cabinet directed that the Minister of Transport to bring a Detailed Business Case to Cabinet by March 2025 [EXP-24-MIN-0067];
- 2 **note** Cabinet approved the procurement of an interim EORC solution until December 2025 [EXP-24-MIN-0067];

Make a decision on the way forward

- 3 **agree** to one of the following three options for the way forward:
EITHER (*recommended option*)
- 4 Option 1: extend the duration of the interim solution while advice and consultation on EORC specific levies is conducted;
 - 4.1 **agree** to extend the duration of an interim solution until June 2027 while advice and consultation on EORC specific levies is conducted;
 - 4.2 **note** Maritime NZ will need to negotiate new contracts to give effect to recommendation 4;
 - 4.3 **approve** the following changes to appropriation to provide for the decisions in recommendation 4, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Vote Transport	s 9(2)(j)				
Non-Departmental Other Expense:					
Emergency Ocean Response Capability					

BUDGET SENSITIVE

- 4.4 **agree** that the expenses incurred under recommendation 4.3 be charged against the ‘Emergency Ocean Response Capability for the Cook Strait – Tagged Contingency’;
- 4.5 **note** that following the adjustment(s) detailed in recommendation 4.3 (as well as previous adjustment(s) agreed in EXP-24-MIN-0067), the tagged contingency is now exhausted and therefore closed;
- 4.6 **invite** the Minister of Transport to report to the Cabinet Economic Policy Committee by July 2025 with advice and a draft consultation document on EORC specific levies;

OR

- 5 Option 2: continue with the status quo option in the DBC, with no changes to decisions on the interim solution made by Cabinet in November 2024;

OR

- 6 Option 3: progress with implementing the preferred option in the DBC;
 - 6.1 **note** that the first-strike and second-strike capabilities recommended in the Detailed Business Case would require \$ 9(2)(j) in operating funding;
 - 6.2 **agree in principle** to procure a first-strike and second-strike capability as recommended by the Detailed Business Case subject to decisions made in Budget 2025 on the additional funding requirements outlined in recommendation 6.1 above;
 - 6.3 **agree** to extend the duration of the interim solution until March 2026 to enable procurement to be undertaken on the longer-term solution;
 - 6.4 **approve** the following changes to appropriation to provide for the decisions in recommendation 6, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Vote Transport	\$ 9(2)(j)				
Non-Departmental Other Expense:					
Emergency Ocean Response Capability					

- 6.5 **agree** that the balance of funding \$ 9(2)(j) in recommendation 6 be recognised as a corresponding increase in the ‘Emergency Ocean Response Capability – Tagged Contingency’;
- 6.6 **note** that following the adjustments, the remaining balances and indicative phasing of the ‘Emergency Ocean Response Capability – Tagged Contingency’ will be;

BUDGET SENSITIVE

	\$m				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Emergency Ocean Response Capability for the Cook Strait - Tagged Contingency	s 9(2)(j)				

6.7 **note** that the 'Emergency Ocean Response Capability – Tagged Contingency' will expire on 30 June 2026;

Make supporting decisions as follows

- 7 **authorise** that Cabinet, in principle, agree that any funding in the 'Emergency Ocean Response Capability' appropriation that remains unspent due to funding variability requirements as at 30 June 2025 be transferred to 2025/26;
- 8 **authorise** the Minister of Finance and the Minister of Transport jointly to agree the final amount to be transferred following completion of the Ministry of Transport's 2024/25 audited financial statements with no impact on the operating balance and/or net core Crown debt across the forecast period;
- 9 **note** that due to funding variability requirements (contract crosses three financial years), a further transfer of funds may be required from FY2025/2026 to FY2026/27, in which case officials will seek appropriate transfers;
- 10 **agree** that the proposed changes to appropriations for 2024/25 above be included in the 2024/25 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 11 **agree** that the Minister of Finance and Minister of Transport can approve changes to procure the interim solution within the scope of the Emergency Ocean Response Capability appropriation to give effect to recommendation 4.1 and 4.2;
- 12 **authorise** the Minister of Finance and Minister of Transport jointly to agree any subsequent changes to reflect decisions to appropriations in line with decisions on recommendations 4, 5 and 6;
- 13 **agree** to the Minister of Transport announce the interim solution and intended direction of travel pending further work.

Authorised for lodgement

Hon Chris Bishop

Minister of Transport

Appendices

Detailed Business Case – New Zealand’s Emergency Ocean Response Capability

Executive Summary – New Zealand’s Emergency Ocean Response Capability (DBC)

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OFFICIAL INFORMATION ACT 1982



19 February 2025

OC250056

Hon Chris Bishop

Action by:

Minister of Transport

24 February 2025

EMERGENCY OCEAN RESPONSE CAPABILITY - DETAILED BUSINESS CASE

Purpose

To provide you with the draft *Emergency Ocean Response Capability Detailed Business Case* for your review and direction on your preferred option to present to Cabinet.

Key points

- Through Budget 2024, Cabinet directed the development of a business case to consider New Zealand's maritime emergency ocean response capabilities (EORC) with a focus on the Cook Strait. Cabinet considered an Indicative Business Case (IBC) in November 2024, identified a preferred and alternative option to progress for analysis in a Detailed Business Case (DBC), and directed the Minister of Transport to report back to Cabinet in March 2025.
- Cabinet also noted that a Budget Bid 2025 would be submitted (contingent on Cabinet approval of the DBC) and approved the procurement of an interim EORC solution for the Cook Strait.
- The draft DBC does not demonstrate that there is a net economic benefit for a Cook Strait focussed solution alone, or that a compelling case for direct Crown funding for EORC has been established. The overall costs of procuring a permanent EORC solution are significantly higher than what was signalled to Cabinet in the IBC. However, the actuarial analysis shows there is benefit in ensuring New Zealand has permanent access to EORC on a national basis.
- The Ministry has identified an alternative way forward and seeks your direction on the approach to be included in the Cabinet paper. The three choices are:
 - Progressing with the DBC's preferred option
 - Sticking with the status quo
 - Public consultation on EORC specific levies (the alternative way forward)
- The Executive Summary from the draft DBC is attached as an annex to the briefing, and the full draft DBC has been provided to your office.

Recommendations

We recommend you:

- 1 **note** the direction from Cabinet that you are to report back with a Detailed Business Case on emergency ocean response capabilities in March 2025.
- 2 **discuss** the draft Detailed Business Case with officials on Monday 24 February.
- 3 **identify** your preferred option to be included as your recommendation in the Cabinet paper:
 - Progressing with the DBC’s preferred option Yes / No
 - Sticking with the status quo Yes / No
 - Public consultation on EORC specific levies Yes / No
- 4 **discuss** your preferred option with Hon Nicola Willis, Minister of Finance, at your Budget bilateral meeting on 24 February 2025 (briefing OC250096 refers).



Ruth Fairhall
DCE Policy
19 / Feb / 2025

Hon Chris Bishop
Minister of Transport
..... / /

- Minister’s office to complete:
- Approved Declined
 - Seen by Minister Not seen by Minister
 - Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Ruth Fairhall, Deputy Chief Executive Policy	s 9(2)(a)	
Natasha Rave, Manager Resilience and Security		
Carl van der Meulen, Principal Adviser Resilience and Security		✓

EMERGENCY OCEAN RESPONSE CAPABILITY - DETAILED BUSINESS CASE

Background

Why you are bringing this paper to Cabinet

- 1 Recent high-profile maritime incidents have required the use of emergency ocean response capabilities (EORC) in the form of an Emergency Towing Vessel (ETV), which have been sourced as 'vessels of opportunity'.¹ Access to these capabilities is limited, with only one commercial ETV available on New Zealand's coast^{s 9(2)(b)(ii)}
- 2 This situation presents a risk of avoidable consequences if a maritime incident in New Zealand waters escalates due to the unavailability of a timely EORC response. The Cook Strait has the highest risk profile of New Zealand's coastal waters due to the high number of ship movements, ageing passenger vessels, and adverse environmental conditions.
- 3 Through Budget 2024, Cabinet directed the Ministry of Transport (the Ministry) and Maritime New Zealand (MNZ) to develop a business case that considers New Zealand's maritime EORC with a focus on the Cook Strait.
- 4 Minister Brown brought an Indicative Business Case (IBC) to the Cabinet Expenditure and Regulatory Review Committee (EXP) in November 2024. EXP approved two short-listed options identified in the IBC to be progressed to the Detailed Business Case (DBC) stage for analysis.
- 5 Cabinet also noted that a Budget Bid 2025 for the preferred option would be developed, contingent on Cabinet approval of the DBC. The Minister of Transport was directed to report back on the DBC to Cabinet in March 2025 (Cab Minute EXP-24-MIN-0067) in time for Budget 2025 decisions.

Types of EORC solutions

- 6 EORC is required when a large commercial vessel loses the ability to navigate safely, or hold itself safely at anchor, and is therefore at risk of grounding. The purpose of EORC is to either hold a vessel safely in place, or tow it to a place of safety, where repairs can be carried out.
- 7 The business case and the short-listed options refer to various EORC solutions:
 - First-strike capability: a vessel that can quickly get on scene to stabilise and hold a distressed vessel until a suitable ETV can arrive on scene. This vessel needs to be locally based to quickly get on scene of a distressed vessel.

¹ A 'vessel of opportunity' is a commercial vessel that is in the vicinity of a maritime incident and is asked to respond. Most commercial vessels will have obligations to respond under the International Convention for the Safety of Life at Sea.

- Second-strike capability: an ETV that can tow a distressed vessel to a place of safety after it has been stabilised by a first-strike capability. This vessel needs to arrive on scene within a reasonable timeframe, and as such does not need to be locally based.
- Single-strike capability: a vessel that can provide both a stabilising and towing capability. This vessel needs to be locally based to quickly get on scene of a distressed vessel.

8 Port owned tugboats are designed for operations within harbour confines and are not suitable for use as ETVs for large commercial ships in the Cook Strait. Likewise, an ETV is too large and unsuitable to be used as a port tugboat. The photo below shows the difference in size between an ETV and a port tugboat.



M/V Shiling being towed into Wellington harbour by an ETV and accompanied by two CentrePort tugboats. (Photo credit: Carl van der Meulen)

Short-listed options from the Indicative Business Case

- 9 The preferred option from the IBC stage is a two-strike solution. This would comprise a local (Cook Strait) based first-strike capability, and a regional (e.g. Port Taranaki) based second-strike capability. The cheaper alternative option identified in the IBC would only comprise the local based first-strike capability.
- 10 The EORC solutions would be procured as a service by MNZ entering into retainer contracts with commercial providers. EORC providers would use their vessels to undertake commercial activities (to defray Crown costs) but be available for response activities if required. The Crown would not directly purchase or own any EORC vessel. Accordingly, the Budget Bid 2025 has been submitted as operating expenditure (OPEX) only.

Other mitigation measures

- 11 We propose using the Cabinet paper to explain other mitigation measures to reduce the perceived risk in the Cook Strait. These include the review of maritime legislation proposal to enable MNZ to ban unsafe ships from New Zealand waters, safety interventions by the Wellington Harbour Master (making a navigational bylaw to change the route of Cook Strait ferries in poor weather conditions similar to the *Kaitaki* incident, so that anchors have more time to take hold), and the procurement of new ferries.

Interim solution

- 12 [COMMERCIAL IN CONFIDENCE] Cabinet directed MNZ to procure the services of the vessel *MMA Vision* as an interim solution while the DBC is completed. This would see the *MMA Vision* based in Wellington or the Marlborough Sounds for around 20 days each month when

it is not conducting commercial operations in support of the oil and gas industry in Taranaki for the company OMV.

13 [COMMERCIAL IN CONFIDENCE] s 9(2)(i), s 9(2)(j)

Draft Detailed Business Case

- 14 The draft DBC analyses the preferred option (a two-strike solution) and cheaper alternative option (Cook Strait based first-strike solution only) alongside the status quo.
- 15 The strategic case notes 23 maritime incidents over the last 5 years where EORC may have assisted; however, these were all resolved with existing capabilities and available vessels of opportunity. Many of these incidents are outside the direction from Ministers that the business case is focussed on the Cook Strait.
- 16 There have been several high-profile incidents within the Cook Strait:
- *Kaitaki* loss of power (January 2023). This was the most serious incident that occurred in rough conditions. Harbour tugs reached the vessel but were unable to establish connections to the vessel in order to assist in stabilising it. If connections were made, the harbour tugs would not have been able to tow the vessel to safety. It is uncertain if the weather conditions would have allowed for a connection to be established to a first-strike capability if one was available. This incident, including the response, is still under review by the Transport Accident Investigation Commission.
 - *Aratere* grounding. This occurred shortly after the ferry left Picton. If a first-strike capability was available, it would not have reached the *Aratere* in time to prevent it from grounding (which is the primary purpose of the first-strike capability).
 - *Connemara* loss of power. While the harbour tugs were able to tow the *Connemara* back into Wellington Harbour, this was at the limits of their capabilities.
- 17 The examples in the strategic case show the inherent limitations of EORC solutions – they must be close enough and capable enough to provide a successful response to a vessel that requires assistance. While EORC will mitigate the risk, having a first-strike capability based in the Cook Strait will not eliminate the risk of a maritime incident escalating.

The economic case shows there is value in a national solution

- 18 MNZ used an actuarial risk analysis and updated costings from market engagement to analyse the options in the economic case. This economic case argues that the preferred two-strike option provides the most value to New Zealand as it provides national coverage of a second-strike (towing) capability.
- 19 However, the economic case states that “...when looking at the Cook Strait in isolation, there is no material benefit in the addition of a local EORC capability compared to the Status Quo. This is because the likelihood of a severe event occurring that causes significant economic

damage / risk to human life and requires EORC is very small. This means that from a risk valuation perspective, the Status Quo and Option 2 (first-strike only) provide the same 'value' to New Zealand."

- 20 The Ministry considers that as the economic case is weighted in favour of supporting the combined two-strike solution (to provide first-strike for the Cook Strait and a national second-strike solution) over a Cook Strait only first-strike capability, this does not support direct Crown investment that is focussed on the Cook Strait.

The financial case contains a significant cost escalation from the IBC

- 21 MNZ completed a Request for Information process with targeted stakeholders as part of the commercial case. This tested the ability of industry to provide EORC solutions and was also used to refine the costs for the financial case.
- 22 The IBC presented high-level indicative costs based on previous market soundings, with a split between Crown and levy funding. These indicative costs have been applied to the Budget Bid 2025 that is contingent on Cabinet approval of the DBC. The indicative costs to the Crown were around s 9(2)(i) over 10 years.
- 23 The total costs for procuring the preferred solution come to s 9(2)(i) over 10 years. The DBC recommends levy payments are used as a funding source, which will reduce direct Crown costs and that unspent monies could then be returned to the centre.
- 24 However, the DBC recommends the Budget Bid 2025 is increased to cover the full costs to enable procurement. The procurement approach would remain as outlined in the IBC, with MNZ buying the EORC service as OPEX.
- 25 The Ministry is concerned the proposed approach to cover the full costs via a tagged operational contingency presents significant opportunity costs to the Crown in relation to funding other transport priorities

The DBC presents options to fund costs via levies

26 s 9(2)(f)(iv)

27

28

s 9(2)(f)(iv)

- 29 MNZ have estimated that fully funding the second-strike capability would require an approximately ^{s 9(2)(f)(iv)} increase in the maritime levy and note that New Zealand is already considered a relatively expensive place for international shipping due to the existing range of fees and levies from multiple sources (e.g. the current maritime levy, biosecurity levy etc).
- 30 The DBC provides an option to phase the introduction of the second-strike capability to follow the next maritime levy review in 2026/27. None of the levy proposals in the DBC have been consulted with industry or users.

Direction sought on the way forward

- 31 The standard approach for consideration of the business case would be for Cabinet to make a decision on whether to implement the identified option from the DBC, or to stick with the status quo. On a purely value-for-money basis, sticking with the status quo would be the option the Ministry recommends.
- 32 However, as the DBC outlines benefits to securing EORC on a national basis and proposes funding to be sourced from users, and Cabinet's decision to implement an interim solution, the Ministry has identified an alternative option for your consideration. The alternative option is to publicly consult on establishing EORC specific levies.
- 33 We seek your direction on which of the three options you wish to be presented in the Cabinet paper:
- 33.1 Progressing with the DBC's preferred option
 - 33.2 Sticking with the status quo
 - 33.3 Public consultation on EORC specific levies

Progressing with the DBC's preferred option

- 34 Progressing with the DBC's preferred option will provide the benefit of ensuring New Zealand secures ongoing access to EORC on a national basis. However, even with the proposed phasing and funding sources as proposed in the DBC, this will still come with significant cost to the Crown.

Sticking with the status quo

- 35 This option would not result in any costs to the Crown. However, over time this option could lead to a degradation in the ongoing availability of EORC via the existing vessel of opportunity approach as the currently available ETV seeks commercial activities overseas.
- 36 There might also need to be a cancellation of the interim solution which would send mixed signals to industry and the public.

An alternative option – public consultation on EORC specific levies

37 s 9(2)(f)(iv) 

38 Establishment of a new Cook Strait levy will require a review of the regulatory settings to see if any amendments are required to either the Maritime Transport Act 1994 (the Act) or to the Maritime Levies Regulations 2016. The maritime levy is next due for review in 2026/27; the Act requires the Minister to consult when making regulations relating to maritime levies.

39 Consultation would need to test (among other matters):

- the public’s willingness to pay a new Cook Strait levy,
- industry’s willingness to pay an increased maritime levy to ensure timely response from dedicated EORC (as opposed to a future state where an ETV may need to travel from Australia to New Zealand to provide a response).

40 The interim solution could be extended until the consultation process is completed. The tagged contingency established in Budget 2024 s 9(2)(i) would enable the interim solution to be in place for s 9(2)(j)  with decisions made in Budget 2026. This timing would align with the next levy period.

Next steps

41 We will discuss the options and your preferred approach at officials meeting on Monday 24 February.

42 We will continue to prepare your Cabinet paper in line with your direction within the timeframe outlined in the weekly report (lodging on 6 March for ECO on 12 March).

ENDS

Annex 1: Draft DBC Executive Summary

Enclosure: Draft Emergency Ocean Response Capability – Detailed Business Case

Executive Summary

Introduction

Several incidents involving large vessels in distress have highlighted the challenges faced by New Zealand in providing an Emergency Ocean Response Capability (EORC) nationally. These challenges are particularly acute in the Cook Strait region given its geographic constraints, high passenger and user numbers, and overall risk profile, but also apply more broadly around the coast of New Zealand.

Following the Interislander ferry *Kaitaki*'s loss of power in 2023, Maritime New Zealand (Maritime NZ) provided updated advice to Ministers on the limited access to EORC in New Zealand, including an initial capability analysis. Maritime NZ further engaged with the market in late 2023 to understand the market's capability and capacity to deliver EORC.

As part of Budget 2024, Ministers directed Maritime NZ to continue to build on this work and further refine options for addressing the current lack of available EORC in New Zealand, with a particular focus on the Cook Strait region. The EORC Indicative Business Case (IBC) was approved by Cabinet in November 2024 [CAB-MIN-XXX-XX refers]. The IBC focussed on the case for change, initial options, and indicative costs based on Maritime NZ's initial analysis. The preferred approach presented in the IBC was a two-strike solution:

- A rapid first-strike response to hold and stabilise a vessel based in the Cook Strait; and
- A larger second-strike vessel that would be based close to the Cook Strait to tow a stricken vessel back to port.

Cabinet directed Maritime NZ to prepare a Detailed Business Case (DBC) and undertake a Request for Information (RFI) with the market for the provision of EORC. Maritime NZ also commissioned further technical analysis of the preferred option from the IBC from international maritime experts ABL (*EORC Technical Review* – attached separately).

The purpose of this DBC is to seek Cabinet endorsement of the preferred way forward at this stage and approval to submit a Budget bid for consideration as part of Budget 2025.

This business case:

- Confirms the key findings of the IBC;
- Sets out the results of more detailed technical and market analysis;
- Outlines the preferred procurement approach and indicative commercial arrangements;
- Describes the estimate funding requirement and funding approaches; and
- Sets out the proposed delivery arrangements for the preferred way forward.

Strategic Case

The IBC set out the case for change for the provision of EORC services in the Cook Strait and nationally. The DBC confirms the findings from the IBC based on the additional analysis undertaken and technical feedback from ABL (a marine technical advisor).

Reconfirming the Case for Change

When vessels get in trouble in open waters, they may require emergency assistance to prevent further damage to the vessel, prevent environmental damage or prevent loss of life.

In New Zealand, we have traditionally provided emergency response services through a mixture of small harbour tugboats and suitable commercial vessels operating in NZ waters that can assist in an emergency (“vessels of opportunity”).

Recent maritime incidents have shown the challenges providing EORC in New Zealand:

- The Cook Strait’s unique constraints mean it presents a higher risk of maritime incidents requiring an emergency response.
 - New Zealand, and other jurisdictions, have seen an increase in actual or near miss maritime events. This is particularly acute in the Cook Strait, which has a higher risk profile due to the geographic constraints, sea state conditions and types of vessels that use the passage.
- There are no vessels permanently based in New Zealand that have the capability to respond effectively to large vessels in distress.
 - To respond effectively in an emergency, there are certain requirements that a rescuing vessel would need to have. While any vessel can in theory help a vessel in distress, only certain types of vessels can effectively stabilise a vessel and tow it to shore. There are no vessels suitable for EORC permanently based in New Zealand.
- Larger, more capable vessels of opportunity which have previously been relied on to tow vessels in distress have left, or are leaving, New Zealand waters and cannot be relied upon in the future.
 - Vessels that are effective in EORC response have, in the past, been in New Zealand waters for other commercial opportunities and may be able to assist when needed. These vessels have either all left, or are being retained in the interim by the Crown to stay in NZ waters as a stop gap measure. They are unlikely to return to New Zealand in the near future. Without these vessels in NZ waters, it would take five days (in good weather) for an EORC vessel, most likely from Australia, to reach a stricken vessel.
- A lack of available EORC increases the risk of environmental and economic damage, and potential loss of life at sea in the event of an emergency, especially but not exclusively in the Cook Strait.
 - The risk of incidents escalating increases without EORC – for example, if a vessel loses power in parts of the Cook Strait it has a high likelihood of drifting into the rocks without a vessel to stabilise it. The key driver of this investment is therefore to reduce the risk of maritime incidents escalating. Severe incidents, for example the MV Rena grounding in 2012, are estimated to have cost the Crown and the New Zealand economy over \$100m for cleanup and disruption. \$700m for salvage of the vessel was borne by the vessels insurer. If a similar incident was to occur in the Cook Strait, it is likely to cost considerably more to the Crown for cleanup and disruption.
- While the risk to vessels in is particularly acute in the Cook Strait, EORC (particularly towage of a stabilised vessel) is a national benefit.

The DBC confirms the findings from the IBC that a lack of permanently available EORC in New Zealand poses a material risk that should be addressed.

Economic Case

The IBC identified three shortlist options (plus the Status Quo) for the provision of EORC in the Cook Strait. After further market engagement and independent technical analysis, it was determined that one of the IBC shortlist options, a Single-Strike capability, is not feasible because:

- There was little to no market interest in providing the capability
- It would have likely required year-round Crown funding for its operating costs, which represented very low value for money.
- Offers no redundancy for the capability and would leave the Cook Strait without EORC coverage if a Single-Strike capability was called to an incident elsewhere.

The Project Sponsor agreed to remove this option from the DBC shortlist and instead focus on options that were operationally feasible.

This DBC reassesses those shortlist options against the:

- New technical information available;
- Actuarial risk analysis; and
- Indicative costings.

The three options included in the DBC are:

- *Option one: Do nothing / Status quo (retained as a baseline comparator)*
- *Option two: Local First-strike capability in the Cook Strait (do minimum option)*
- *Option three: Local First-strike and regional Second-strike capabilities (the preferred way forward)*

The economic case has undertaken more detailed options analysis to determine the preferred option likely to optimise the relative public value (not limited to value-for-money). The summary of this analysis can be found in Table 1.

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Table 1: Summary of Options Assessment

	Option 1: Status quo	Option 2: Do Minimum	Option 3: Optimal
Overall Rating	3	2	1
Costs			
Appraisal Period (years)	10 Year (2026-36)		
Max Opex Required (\$m)	s 9(2)(j)		
Risk valuation ranking (Cook Strait only)	1=	1=	3
Risk valuation ranking (New Zealand)	2=	2=	1
IO / CSF alignment			
Investment objectives	Low	Med	High
Critical Success Factors	Low	Med	High
Benefits (qualitative):			
	Low	Med	High
Implementation Risks			
	Highest risk	Moderate risk	Lowest risk
Overall Rating	3	2	1

Summary of Economic Assessment

To assess the options against each other, Maritime NZ;

- Costed each option based on market feedback, independent marine specialist advice and general market knowledge.
- Commissioned actuaries to undertake risk valuation modelling to understand the relative value for money for each option.
- Qualitatively compared options against expected benefits, risks and investment objectives / critical success factors.

In comparing options;

- The actuarial risk analysis suggests that when looking at the Cook Strait in isolation, there is no material benefit in the addition of a local EORC capability compared to the Status Quo. This is because the likelihood of a severe event occurring that causes significant economic damage / risk to human life and requires EORC is very small.

This means that from a risk valuation perspective, the Status Quo and Option 2 (First-strike only) provide the same 'value' to New Zealand.

- However, when viewed from a national lens, Option 3 (the preferred option) provides the greatest value as it can address both incidents in the Cook Strait and provide coverage nationally. We also know that, despite the actuarial analysis showing the addition of EORC in the Cook Strait is relatively low value, there have been a number of recent near miss incidents that could have resulted in a significant incident and changed the Cook Strait risk profile materially.
- Option 3 provides the greatest benefit and lowest risk of the shortlisted options due to its national coverage, improved incident response times, and redundancy (by having two vessels available).

Summary of the preferred option

The Economic Case confirmed that *Option 3: Local First-strike and regional Second-strike capabilities* continues to be the preferred option for the provision of EORC. Maritime NZ's preferred option at this stage is for:

- A Cook Strait based capability (e.g. Wellington or Picton) to stabilise and hold stricken vessels in distress in a timely manner (**First-strike**);
 - A separate, national capability which can support the First-strike capability and arrive at an incident within an appropriate timeframe (exact response requirements to be determined, but anticipated to be within ~10-20 hours of the Cook Strait), with the capability to tow a stricken vessel in distress (**Second strike**);
 - A partnership between the Crown and private/commercial operators to ensure the capability is available when required;
 - EORC vessels to be used for commercial or other activities when not required for emergency response to defray Crown operating costs and maintain operational readiness;
 - Crown funding to be limited to a 'retainer style' arrangement and/or to cover the incremental capability uplift required to provide EORC, (response costs to specific accidents or incidents would continue to be recovered through existing measures e.g. insurance);
 - A ten-year operating agreement (noting that this may need to be broken into smaller contract lengths and renewed as required); and
 - The providers of EORC services to be responsible for operational decisions and engaging with vessels in distress on commercial matters (i.e. Vessel owners will be expected to liaise with the EORC providers on cost recovery, towage to a port of refuge etc, rather than via Maritime NZ).
- The two-strike solution was selected as it: ensures the capability to stabilise a vessel in distress is based as close to the Cook Strait as possible, potentially preventing incidents from escalating; and removes the need to rely on vessels of opportunity to provide towage (in most situations) which may not be available. The Second-strike capability can provide a national benefit as it can be directed to other regions in New Zealand to support incident response if required and can also operate commercially with benefit to companies and New Zealand by positioning itself in the country where it is most needed.

The preferred option also takes into account the ability of the EORC to undertake commercial activities in the Cook Strait, as well as for operators to have knowledge of operating in the Cook Strait (due to its unique and challenging conditions). Maritime NZ is confident the two-

strike solution maximises the ability of suppliers to use the ETVs for commercial activities when not responding to incidents. This reduces potential costs to the Crown/maritime users as alternative commercial activities can offset costs.

Commercial Case

Market engagement summary

Following approval of the IBC in November 2024, Maritime NZ, supported by KPMG and international maritime consultants ABL, completed a Request for Information (RFI) from December 2024 to January 2025. The RFI included detailed information on the potential options and technical specifications (outlined in the Commercial Case); and sought respondents' feedback on the preferred solution, including the proposed commercial arrangements, procurement approach, and potential cost ranges.

The RFI process confirmed a strong interest from the market in providing both the First-strike and Second-strike EORC solutions. Respondents confirmed that the two-strike approach is viable and sensible, and proposed some alternatives (including different levels of capability and operating models – discussed in more detail in the Commercial Case).

Procurement approach

The recommended approach to market is a single two-step, competitive tender for both First- and Second-strike capability. The two-step tender is intended to quickly assess the potential viable suppliers through a low-cost, open EOI, followed by a more in-depth closed RFP with a small group of selected participants. The EOI will set both a minimum required and a preferred capability for the First-strike and Second-strike (discussed below).

Maritime NZ will establish a minimum level of capability it requires in the EOI for both the First-strike and Second-strike. EOI responses that do not meet this minimum requirement will not be considered 'eligible' and will be excluded from further assessment.

First-strike minimum and preferred capability

Maritime NZ anticipates setting the minimum First-strike capability requirement on a real world scenario. At this stage, the minimum First-strike capability is expected to be the ability to establish a connection and stabilise the Kaitaki in 45 knot winds and 4m swells (as is the current Interislander operating limit).

EOI respondents would need to confirm that they have assessed their proposal as meeting this minimum requirement. This confirmation would be independently assessed by Maritime NZ to determine whether it considers the bid eligible for further consideration.

In addition to the minimum capability requirement, Maritime NZ will also present its preferred capability to help guide bidders' responses at EOI/RFP. The preferred First-strike capability will be based on the preferred technical specifications set out in the Commercial Case. Based on these specifications, the First-strike capability would be able to operate in 40 knot winds and 5m swells and stabilise all but the largest vessels operating in New Zealand. Any proposals offering a lower capability than the preferred specifications would need to be accompanied by detailed analysis (completed by the bidder).

Second-strike minimum and preferred capability

The minimum Second-strike capability is anticipated to be based on the minimum capability outlined in Commercial Case (i.e. a minimum 100T bollard pull and 60m long vessel). The preferred Second-strike capability will be set at a level to 'future-proof' the capability (i.e. a minimum 120T bollard pull and a vessel length in excess of 60m). As with the First-strike,

Any proposals offering a lower capability than the preferred specifications would need to be accompanied by detailed analysis (completed by the bidder).

Proposed procurement timeline

Appointed suppliers may need 12-18 months to secure a new ETV vessel and may need time to source an interim vessel while their permanent ETV is secured. An accelerated procurement timeline is therefore required to ensure EORC can be in place within a reasonable timeframe.

We estimate that the sourcing of the supplier will take up to four months and contract negotiations will take approximately two months. This means the tender must be issued by June 2025 to meet the dates shown in Table 2.

Subject to approval of this Detailed Business Case, the procurement milestones will be as follows:

Table 2: Indicative procurement timeline

Activity/milestone ²	Date
DBC approved	March 2025
Decision on funding	May 2025
EOI release	Mid-May 2025
EOI responses received	Mid-June 2025
EOI evaluation complete	Early-July 2025
Respondents notified of outcome	Early-July 2025
RFP release	Mid-July 2025
RFP responses received	Mid-September 2025
RFP evaluation complete	Late-September 2025
Respondents notified of outcome	Late-September 2025
Preferred supplier(s) appointed	Late-September 2025
Contracts entered	March 2026

Commercial structure

Maritime NZ intends to leave the commercial structure relatively open to enable respondents to provide a wide range of solutions through the RFP process. The intention is to procure a capability/service, rather than see the Crown take on an ownership stake in a vessel or be responsible for day-to-day operational decisions (i.e., negotiating port access or specifying where vessels must be located – outside of maintaining agreed levels of coverage). Maritime NZ intends to model this structure on an ‘as a Service’ approach.

Maritime NZ has developed a preferred set of key commercial features at this stage (Table 3).

² Maritime NZ may also hold supplier briefings during the EOI/RFP process.

Table 3: Key commercial features

Attribute	Comment
Overview	<p>Maritime NZ invites proposals to provide First- and Second-strike capabilities consistent with the requirements set out in the Procurement Plan.</p> <p>Maritime NZ enters into a 10-year service agreement with the selected operator(s) to provide the services (noting the potential need to enter a shorter arrangement with the Second-strike operator). The operator(s) retains ownership of the vessel(s) throughout the agreement(s).</p> <p>The operator(s) is responsible for operating, crewing, maintaining, and ensuring availability of the vessels. Any required service enhancements (i.e., the installation of specialist EORC equipment) will be installed and maintained by the operator(s).</p>
Role of Maritime NZ	<p>Maritime NZ is responsible for:</p> <ol style="list-style-type: none"> a. Procurement and contracting with the operator(s); b. Ongoing funding and payment under the contract; and c. Ongoing management of the contract, including ensuring service requirements are met.
Vessel ownership	<p>The operator is responsible for providing the agreed capability. The Crown will not have an ownership stake in the capability/vessel. In the event the operator sells or leases a new vessel to deliver the services, the operator will be expected to provide a vessel of the same or greater capability.</p>
Vessel berthing	<p>Operators are expected to negotiate berthing space directly with ports. A portion of these berthing costs may be included in the Crown's payment depending on the exact commercial arrangement entered.</p>
Vessel management and maintenance	<p>The operator will manage the vessels and provide all ongoing maintenance.</p>
Capability availability	<p>The operator will be responsible for ensuring that the procured capability is available as agreed (i.e., for ensuring that services can continue to be provided while vessels are in dry dock for required maintenance etc). This includes being available for joint training exercises.</p>
Crewing and training	<p>The operator will be responsible for ensuring vessels are appropriately crewed and that the crew's training remains current.</p>
Duration	<p>Expected to be for 10 years (with renewal options), noting that Second-strike services may only be feasible to contract for a five-year initial term, with the option to extend by mutual agreement.</p> <p>The contract will set out the early termination rights and any associated penalties for both parties.</p> <p>Maritime NZ will not be liable for any costs associated with decommissioning the service at the expiry of the contract or on termination.</p>
Service availability	<p>The Crown's preference is for EORC to be available 24/7.</p>

Attribute	Comment
Quantum and phasing of costs	No upfront capital is required. Maritime NZ is responsible for an agreed Operating Expenditure amount for the duration of the agreement once the vessels are operational.
Inflation	Operating payments will be inflated in accordance with agreed index(es) (e.g. CPI, wage indexes etc).
Fuel	The mechanism for payment of fuel costs will be agreed with the supplier. Likely to be set with reference to market rates.

Financial Case

Maritime NZ proposes that the estimated total funding requirement of s 9(2)(f)(iv), s 9(2)(j) (including contingency) from 2025 to 2036, be sought through Budget 2025 as a tagged contingency. A 30% contingency has been applied given uncertainty over the exact capability that the market will propose, the level of commercial revenue operators are able to achieve (to defray Crown costs), and fluctuations in variable costs (e.g. fuel) over the life of the contract. All effort will be made to reduce the need for this contingency and to defray cost to Government by seeking to engage operators who can maximise commercial use of the vessel.

Cost recovery for EORC

At this stage we believe the Government could charge a modest fee/levy to passengers, passenger vehicles, and commercial users travelling on the ferries on the Cook Strait to cover the cost of the first strike. We do not believe the first strike costs should be charged to other levy payers given the core purpose of the first strike is the ferry traffic across the Strait, it would be administratively difficult to do, and it may create perverse incentives for vessels to bypass Wellington harbour to avoid fees. If a user levy is implemented, Maritime NZ will return any excess tagged contingency to the Centre.

For second strike retention capability the Government could either fund this through Crown, or levy, or a mixed model s 9(2)(f)(iv)

There is a case for ongoing Crown contribution for the second strike capability, given:

- the size of the levy increase;
- that these operators have had significant increases across a number of levies recently;
- an operator who had an incident would still need to pay the direct costs for the ETV to assist it and
- there is a public good benefit to the Government maintaining this capability around the New Zealand coast.

s 9(2)(f)(iv)

Any charging of fees or levies for first and second strike would require regulation changes, need to meet OAG, Treasury and Transport funding principles, and be consulted on with the sector. s 9(2)(f)(iv)

s 9(2)(f)(iv)

Because of these timelines, the Crown will need to cover any costs until 1 July 2027.

Depending on the option agreed with Ministers prior to Budget 2025, Maritime NZ will reduce its Budget Bid accordingly. If confirmation of levy funding is not confirmed ahead of Budget 25, Maritime NZ will request that new Crown funding be held as a tagged contingency. If the full funding amount is not required, Maritime NZ will return any excess funding to the centre.

Table 4: Funding profile if levy funding is used for First and Second Strike

s 9(2)(f)(iv), s 9(2)(j)

The preferred funding pathway is included in the Management Case Implementation Plan below.

Accounting treatment

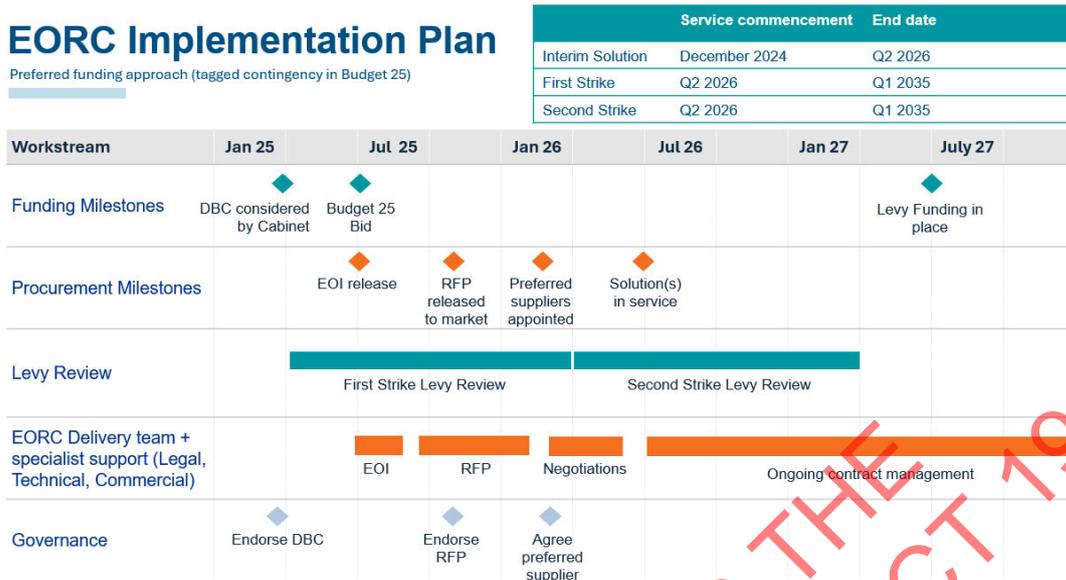
Maritime NZ intends to purchase EORC services from the market. It does not intend to purchase or have an ownership stake in any EORC assets. This helps manage any potential perceived conflicts that could arise from Maritime NZ's role as the regulator (by purchasing 'EORC as a service' and leaving operations up to the service provider) and is the simplest approach to implement from an accounting perspective. There is no need to account for any assets on Maritime NZ's balance sheet or seek funding for Capital Charge or Depreciation. The cost of the contracted services will be treated as Operating Expenditure and will be paid from Maritime NZ's accounts unless another funding arrangement is agreed.

Management Case

The Management Case confirms the achievability of the proposal and describes the planning and control arrangements required to both ensure successful delivery of the project and its benefits and to manage project risks.

The timeline for the preferred way forward is set out below:

Figure 1: Outline programme plan



RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

19 March 2025

OC250056

Hon Chris Bishop**Action required by:****Minister of Transport**

Thursday, 20 March 2025

EMERGENCY OCEAN RESPONSE CAPABILITY – DETAILED BUSINESS CASE

Purpose

To provide you with the final version of the Cabinet paper and Detailed Business Case (DBC) for the emergency ocean response capability (EORC) for your review and lodgement for Cabinet Committee.

Key points and summary of feedback

- You are taking a Cabinet paper and DBC on EORC to EXP on 25 March 2025. You have previously reviewed the draft paper.
- We have shortened and clarified the paper to ensure it stays within the 10-page limit with the financial recommendations.
- We received very limited feedback from agency and Ministerial consultation. The most significant changes since you viewed the draft paper is the inclusion of the financial recommendations. The financial recommendations need to provide account for the different options for extending the interim solution and have been reviewed by Treasury.

Financial adjustments

- The financial recommendations involve transfers from the 'Emergency Ocean Response Capability – Tagged Contingency' appropriation (established in Budget 2024) to the 'Emergency Ocean Response Capability' appropriation (established in November 2024) to fund the interim solution.
- The total amount available in the tagged contingency is s 9(2)(j) . The contract includes a variable cost component (for example, the cost of fuel) and following discussions with Maritime NZ we have budgeted a maximum cost of s 9(2)(j) . The financial recommendations enable unspent costs from the FY2024/25 to be transferred to FY2025/26. A further transfer of funds from FY2025/26 to FY2026/27 may be required, in which case we will advise you and seek appropriate transfers at that time.

Interim solution contract

- s 9(2)(i), s 9(2)(j)
-

his has been noted in the paper with a recommendation that authorises the Minister of Transport and Minister of Finance to approve any changes to the interim solution within the scope and funding of the appropriation.

Recommendations

We recommend you:

- 1 agree to lodge the Cabinet paper for Exp on Tuesday 25 March 2025 Yes / No

Siobhan Routledge
Siobhan Routledge
Acting DCE Policy
19 / March / 2025

Hon Chris Bishop
Minister of Transport
..... / /

Contacts

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